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16 JULY 1986

# China Report

ECONOMIC AFFAIRS



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16 JULY 1986

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PROVINCIAL AFFAIRS

HAN PEIXIN ADDRESSES JIANGSU ECONOMIC MEETING

OW160805 Nanjing Jiangsu Provincial Service in Mandarin 1000 GMT 15 Jun 86

[Excerpts] A provincial meeting sponsored by the Jiangsu Provincial People's Government to discuss the restructuring of the urban economic system took place in Nanjing 11-15 June. The meeting analyzed the situation of reform, drew up projects of reform, and discussed ways and means to promote lateral economic ties.

Present at the meeting were mayors and leading members of relevant departments from various cities under the jurisdiction of the provincial government as well as Changshu and Taizhou Cities, and leading members of some counties, enterprise groups, and some relevant provincial organs.

Han Peixin, secretary of the Jiangsu Provincial CPC Committee; and Gu Xiulian and Chen Huanyou, respectively governor and vice governor of Jiangsu, addressed the meeting.

Han Peixin stressed in his speech that party committees and governments at all levels must keep in mind the overall situation of reform, give top priority to reform, and take the initiative in accomplishing various projects. He added that all localities and departments must gear their work to the overall needs of reform, and that each project must reflect the spirit of reform.

Han Peixin urged leading cadres at all levels to intensify their theoretical study, do a still better job in conducting investigation and study, constantly study the situation of reform, learn how to solve new problems, heighten their understanding of the need of reform, and exercise more effective leadership over reform.

He pointed out: We must consider promoting lateral economic ties . major project of reform, and be prepared to carry out more successful reforms next year.

Underscoring the far-reaching significance of lateral economic ties, Governor Gu Xiulian analyzed the situation of economic cooperation among various regions and enterprises, and commented on further promoting lateral economic ties. She pointed out: promoting lateral economic ties is a major task in restructuring the economic system. On the basis of heightening our understanding and examining our experiences, we must ensure the development of lateral economic

ties according to the principles of voluntary participation, equality, and reciprocity.

Expressing his view on implementing the meeting's guidelines, Chen Huanyou stressed that we must continue to achieve unity in thinking and heighten our understanding, provide guidance according to the nature of different projects in different locations, pay attention to practical results, and promote lateral economic ties according to the principles of voluntary participation, equality, and reciprocity.

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CS0: 4006/1114

PROVINCIAL AFFAIRS

SHANDONG'S LIANG BUTING ATTENDS ECONOMIC WORK FORUM

SK140722 Jinan Shandong Provincial Service in Mandarin 2200 GMT 13 Jun 86

[Text] A provincial economic work forum was held in Zhangdian in Zibo City from 6 to 12 June. The forum analyzed the province's economic work situation in the first 5 months of this year, affirmed achievements, exposed contradictions, thoroughly discussed major problems concerning macroeconomic control and microeconomic flexibility cropping up in the course of industrial development, worked out relevant regulations on solving these problems, and made arrangements for economic work in the latter half of this year.

Attending the forum were 54 people, including Liang Buting, secretary of the provincial CPC Committee; Li Changan, deputy secretary of the provincial CPC Committee and governor of the provincial government; Jiang Chunyun, deputy secretary of the provincial CPC Committee; Yang Xingfu, Liu Peng, and Gao Changli, Standing Committee members of the provincial CPC Committee; Ma Shizhong, Ma Zhongchen, Tan Ginglei, and Li Ye, vice governors of the provincial people's government; Song Yimin and Zhu Gimin, advisers to the provincial government; responsible comrades of provincial-level departments in charge of overall economic work; secretaries of city and prefectural CPC Committees; and secretaries of the CPC Committees of the Jinan Railway Bureau, the Gilu Petrochemical Company, and the Laiwu Iron and Steel Plant.

Liang Buting, secretary of the provincial CPC Committee, delivered an important speech at the forum.

In their speeches, leading comrades of the province and cities explained according to full and accurate materials that the policies on reform and the open policy formulated by the CPC Central Committee have brought vitality to Shandong's economy. The economic situation in the first 5 months of this year was very good. The province maintained a steady increase in industrial production and made greater breakthroughs in foreign export trade. The rural economy is developing in a sustained manner. The circulation channels have been further expanded. Urban economic restructuring has been deeply facilitated. Practice the past 5 months have proven that the ideology for guiding the province's economic work accords with the principles and policies of the central authorities as well as the province's actual conditions. Constantly and persistently in accordance with the principle of paying equal attention to the growth rate, economic results, and reserve strength and the principle of ensuring increases in the growth rate, economic results, and revenue at the same pace, the CPC

committees and the governments at all levels put the stress on controlling the extra-high growth rate on the basis of ensuring an appropriate growth rate. They have paid attention to strengthening and improving macroeconomic control and controlling the excessively high increase of social demands on the premise of ensuring an overall supplies for society so that the situation of bringing to a halt and seeking uniformity in everything was avoided in maintaining an appropriate growth rate. The city and prefectural leading organs and the provincial-level departments in charge of overall economic work correctly handled the relations between the macroeconomy and the microeconomy, creatively carried out their work in line with actual conditions, paid attention to enlivening the microeconomy as well as strengthening the macroeconomy, and thoroughly carried out investigations and studies to solve new problems cropping up in the course of enlivening the microeconomy. They formulated relevant regulations with regard to the use of bonuses after the ways reform, the management contract system, the division of profits, and the regular economic activities of enterprises.

The forum held: The leading comrades of the cities, prefectures and counties should assume overall responsibility for the entire economic situation and firmly grasp industrial production on the premise of never ignoring grain production, be good pianists in playing economic songs, and make new progress in the art of leadership.

The forum held that the cities and prefectures where cotton production is considerably concentrated have made notable achievements in readjusting and reducing the cotton-growing areas by a large margin.

After discussing the trial regulations on further enlivening the enterprises formulated by the provincial CPC Committee and the provincial government, the participants unanimously held that these documents accord with the relevant policies of the CPC Central Committee and the State Council as well as the province's actual conditions, and will play an important role in further mobilizing the enthusiasm of the staff members and workers, enterprises, and localities, enlivening the enterprises, and facilitating the economic development.

Through discussions the forum made arrangements for economic work in the latter half of the year and called on leaders at all levels to further firmly, thoroughly, and accurately grasp economic work in order to ensure the overall implementation of this year's economic plan. The arrangements for economic work in the latter half of this year are as follows:

First, we should implement and perfect the reform measures in order to arouse the enthusiasm of the localities, enterprises, and staff members and workers.

Second, we should achieve the allocation and supply of funds, energy resources, and materials, and make market regulation serve economic development.

Third, we should practice economy, tap the potentials of enterprises, and reduce consumption.

Fourth, we should strengthen enterprise management in order to enhance their internal digestion capacity.

Fifth, we should pay attention to upgrading the quality of products and the competitiveness of products.

Sixth, we should develop lateral economic cooperation in order to upgrade the level of production.

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CSO: 4006/1114

## ECONOMIC DEVELOPMENT ZONES

### COASTAL CITIES ACHIEVE MARKED INVESTMENT SUCCESSES

HK190944 Beijing JINGJI RIBAO in Chinese 9 Jun 86 p 2

[Article by the Trade and Commodity Price Department of the State Statistical Bureau: "Open Coastal Cities Score Remarkable Results in Absorbing Foreign Investment"]

[Text] China's open coastal cities absorbed a total of 769 investment projects from foreign firms in 1985, 343 more than the previous year; total investment by foreign firms according to agreements already signed reached \$1,717 million, an increase of 86.8 percent over the previous year; and the actual investment by these firms as \$293 million.

Of projects with direct foreign investment according to new agreements, 347 were joint-venture projects, 178 more than the previous year. The total investment by foreign firms was \$587 million, an increase of 40.4 percent. There were 417 cooperation projects, 165 more than the previous year, with foreign investment of \$1,129 million, an increase of 130 percent. Of projects listed in the new agreements, 382 were industrial projects, most of which were medium-sized and small projects. There were 165 real estate and public utility projects, including 39 tourist projects.

The foreign firms which signed agreements with these cities came from 23 countries and regions, including Singapore, Thailand, the Philippines, Japan, the United States, Canada, Australia, France, England, Italy, Switzerland, Finland, Hong Kong and Macao.

Guangzhou, Shanghai, Tianjin, and Dalian, the four cities with better investment environments and basic facilities, are far ahead in absorbing foreign investment and in the scope of joint ventures when compared with the other cities.

In 1985, Guangzhou signed 297 agreements with foreign firms for direct investment, 156 more than the previous year. Total investment by foreign firms according to agreement was \$482 million, an increase of 120 percent, and the actual investment was \$102 million. Nearly half of the projects listed in the new agreements were industrial projects and nearly a quarter of them were real estate and public utility projects (including tourist hotels). The number of tourist projects was reduced



from 14 in 1984 to 8 in 1985. Of the 297 projects, 277 involved Hong Kong and Macao investors. The number of countries and regions involved in direct investment rose from 5 in 1984 to 8 in 1985.

Shanghai signed 96 direct investment agreements with foreign firms in 1985, 53 more than in 1984. Total investment by foreign firms according to agreement was \$762 million, an increase of 130 percent, and the actual investment was \$102 million. In the new agreements, investment in industrial projects registered an increase. The number of new industrial projects was 39, 25 more than in 1984. Of the industrial projects which have been put into production, a number of "export-type" enterprises have appeared which are capable of balancing their foreign exchange revenue and expenditure. At present, Shanghai is absorbing foreign investment from 15 countries and regions, including Hong Kong, the United States, Japan, France, and Singapore.

Tianjin signed 88 direct investment agreements with foreign firms, 42 more than in 1984. Total investment by foreign firms according to agreement was \$68 million, and the actual investment was \$32.5 million. In their talks with foreign investors, Tianjin's economic and trade departments encouraged foreign firms to invest in more industrial projects. Thus, 52 new agreements were signed for industrial projects in the whole year. In 1985, there were already 55 Chinese-foreign joint-venture and cooperative enterprises in this city, which had been put into production, and 30 of them had been put into production for over half a year. Of these enterprises, 27 are profitable enterprises, including the Chinese-French Winery Limited, the Tianjin Li Ming Cosmetics Industrial Company, the Tianjin Jing Cai Photo Developing and Printing Limited, and Kobe Bar.

Dalian signed 50 direct investment agreements with foreign firms in 1985, 31 more than the previous year. Total investment by foreign investors was \$142 million according to agreement, an increase of 450 percent. There were three great changes in Dalian's efforts to absorb foreign investment: A number of agreements on large-scale projects were signed, including the Jiuzhou Hotel Limited, the Dalian Jincheng Hotel, the Tianhe Hotel, and the Dalian Yingshan Hotel, each with an investment of over \$10 million; the number of countries and regions involved in the agreements rose from 2 to 9, including Hong Kong, Japan, the United States, England, Sweden, and West Germany; of the 69 joint-venture and cooperative enterprises listed in the agreements, 27 have been put into production. By the end of 1985, they created a total of \$2.22 million's worth of foreign exchange.

In 1985, apart from the above-mentioned 4 cities, the other 10 open coastal cities also signed a total of 238 agreements with foreign firms, by which foreign investors would make an investment of \$263 million. These were increases of 34.5 and 26.4 percent respectively over the previous year. The actual investment made by foreign investors in the whole year was more than \$50 million.

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## ECONOMIC PLANNING

### GUANGDONG TOWNSHIP ENTERPRISE DEVELOPMENT PLANS

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 30 Nov 85 p 2

[Text] According to available information, a responsible person of the Guangdong Provincial Township and Town Enterprise Joint General Company has recently said, the tentative plan for Guangdong's township and town enterprise development during the Seventh 5-Year Plan is: Taking a basic stand on agriculture and serving agriculture, strategically developing service industries such as agricultural products processing industries, and the storing, packing, and transportation of such products, and simultaneously developing other processing industries such as mining, small-scale hydroelectric power, construction materials, as well as those which complement the systematic operations of large industries and serve exports.

According to requirements of the domestic and international market, the developmental tendency of Guangdong's township and town enterprises within the 5-year period ahead is:

To take advantage of the beneficial conditions of Guangdong's fine environment for investment and the fact that it's adjacent to Hong Kong and Macao and other coastal areas have already preliminarily formed an economic open zone; to adopt various forms such as importing from without and linking up within to develop various joint-capital and joint-management enterprises, plus the "three-importation and one-compensation" enterprises.

To develop agricultural product processing industries, including foodstuff processing, medicinal herbs processing, bamboo, vine, grass, sunflower seeds, palm and lumber processing, etc.

To put emphasis on developing products that complement the systematic operations of large industries and products for export, to develop home appliances, plastic products, iron and wood furniture, interior decoration ornaments, cultural and educational articles, and trades such as fashions, leather, textile, and hardware.

To establish small-scale mining, refining, small-scale hydroelectric power and construction materials industries.

To develop the construction industries, commerce and service industries among the township and town enterprises.

To import advanced technologies and equipment, train personnel; to launch technical cooperation with scientific research units and universities and colleges, organize production and scientific research combines, so as to ameliorate the conditions of backwardness on the part of the township and town enterprises and technologies and their lack of talents.

Along with all this, Guangdong Province will further reform the management system of the township and town enterprises, and, under the premise of making no changes in respect to the nature of existing ownership and organizational jurisdiction, gradually carry out the assigning of various trades to their corresponding departments for control, further expand the reform, and turn on the green light for the township and town enterprises in respect to their capital, finance, taxation, resources, personnel, information, technologies, supplies and marketing as well as transportation, so as to enable them to develop forward in a healthy manner.

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CSO: 4006/527

## ECONOMIC PLANNING

### BEIJING'S SEVENTH 5-YEAR PLAN FOR ECONOMIC, SOCIAL DEVELOPMENT

Beijing BEIJING RIBAO in Chinese 25 May 86 pp 1-3

[Text] Having fulfilled and over-fulfilled the Sixth 5-Year Plan, the Beijing Municipality is launching its Seventh 5-Year (1986-1990) Plan on its way to socialist modernization. The Seventh 5-Year Plan is a critical period in which the municipality's economic, scientific and technological, and education systems will be completely reformed. It is also an important period during which material and technological groundwork must be laid if Beijing is to advance socially and economically in the 1990's. Formulating an overall plan and carrying it out satisfactorily over the next 5 years has profound significance for accomplishing the magnificent objectives set by the 12th CPC Central Committee for completion by the turn of the century, further implementing the four targets for capital construction issued by the Secretariat of the Central Committee, ensuring economic prosperity in the next 10 years, and building a modern socialist capital city with Chinese characteristics.

#### Chapter 1. Conditions For Development

Over the past 5 years, guided by the line adopted by the party since the 3d Plenum of the 11th CPC Central Committee, we have carried out the policy of "readjustment, reform, consolidation and improvement," implemented the central government's four directives on the construction of the capital city, resolutely and steadfastly carried out the reforms called for in the "Overall Plan for the Urban Development of Beijing" As a result, a good deal has been achieved in the construction of the material and spiritual civilizations: The national economy has enjoyed sustained and fairly rapid growth; a basic balance has been effected in such major proportionate relations as those between production expansion and the people's livelihood, between industry and agriculture, and between light and heavy industry. Economic efficiency has been climbing every year and significant headway has been made in science, technology, and education There has been social stability; living standards have improved markedly among both urban and rural residents, and the capital city has taken on a new look.

#### 1. Infrastructure Has Been Adjusted Substantially And Productivity Is Surging

In 1985, gross value of industrial and agricultural output (GVIAO) for the municipality as a whole hit 34.96 billion yuan, for an average annual growth

rate of 8.7 percent, while gross domestic product (GDP) and national income reached 25.7 billion yuan and 19.4 billion yuan, respectively, for an average annual growth rate of 10.8 percent and 9.8 percent. The industrial structure has undergone sharp changes, with tertiary industry accounting for 33.3 percent of the gross domestic product of the municipality, up from 26.8 percent in 1980.

## 2. Construction of Infrastructure In The Municipality Has Been Stepped Up And Gratifying Changes Have Occurred in the Urban Landscape

In the Sixth 5-Year Plan, Beijing completed 23.4 billion yuan worth of fixed assets investments, more than a one fold increase over the Fifth 5-Year Plan. Housing construction of all types yielded 39.42 million square meters of floor space, an increase of 83 percent over the Fifth 5-Year Plan. Of this, 22.67 million square meters were residential housing, a 120 percent increase. Daily water supply capacity went up 340,000 tons, while daily gas supply capacity increased 500,000 cubic meters. Over 70 percent of residents in the immediate suburbs now use coal gas for cooking. The newly installed telephone exchange can handle 960,000 telephones, 437 kilometers of urban roads were built, 10 million trees were planted, and 4 million square meters were seeded with grass. A host of rivers and lakes were cleaned up and dredged and a number of factories that seriously polluted the environment were relocated. To a certain extent the urban environment has improved.

## 3. Significant Progress Has Been Made In Education, Science and Technology, Public Health, Culture, And Sports

Education has expanded rapidly. Recruitments by municipal institutions of higher education went up 2.3-fold from 1980 to 1985, while recruitments by institutions of higher education jumped nine fold. Reforms in the structure of secondary education have been remarkably successful; as a result, the struggle for parity between enrollments in general senior high schools and those in technical secondary schools succeeded 2 years ahead of time. Elementary education has become universal throughout the municipality while junior secondary education is now largely universal in the townships. There has also been a marked increase in nursery enrollments.

Reforms in the scientific and technological system have begun to pay off. Scientific research has been highly fruitful, capturing a total of 2,100 municipal scientific and technological achievement awards over the past 5 years.

Medical services and public health have registered solid gains, with hospital beds increasing almost 10,000 in the 5-year period.

Beijing has done well in culture and sports. Thirty-six cultural centers, libraries and museums were built and the television viewing area has been enlarged to cover 89 percent of the municipality. A number of excellent works and plays were staged, including "Four Generations Under the Same Roof," and

the number of designated historic preservation sites increased to 622. Sports has received more and more public attention. In some events Beijing has chalked up an outstanding record at home and abroad.

#### 4. Urban and Rural Markets Are Flourishing and Both Foreign Economic Relations And Trade And Tourism Have Taken Big Strides Forward.

In 1985, gross social commodity retail sales were worth 12.79 billion yuan, up 1.1-fold over 1980. Commercial, restaurant, service, and repair establishments totalled 82,000, a 3.5-fold increase over 1980. Exports were valued at \$3.08 billion in the 5-year period, a gain of 77.5 percent over the Fifth 5-Year Plan. Tourism has grown rapidly; Beijing was visited by 937,000 tourists and earned \$330 million in foreign exchange. With the number of hotel beds now increased to 380,000, it has tentatively eased the problem of hotel accommodation shortage that used to plague travelers to China.

#### 5. Population Growth Is Starting To Come Under Control And Living Standards Have Improved Noticeably

In late 1985, Beijing's permanent population stood at 9.58 million and its work force reached 3.823 million. By and large, the municipality's youth employment problem has been resolved. There has been a significant rise in workers' wages which, coupled with price subsidies, amounted to an increase of 34.4 percent over 1980, after adjusting for inflation. Per capita net earnings by peasants also went up 1.5-fold over 1980. Living conditions for both urban and rural residents have changed for the better. Throughout the municipality an excellent situation has emerged characterized by an elevated moral tone, improved law and order, stable livelihood for the people and a spirit of striving.

Be that as it may, Beijing's material basis for social and economic development remains rather shaky. There is a serious shortage of water, energy and raw material resources. The gap between infrastructural development and the pace of urban growth has not been bridged. Environmental quality continues to deteriorate. Educational development and the training of qualified personnel have yet to gear themselves to the needs of building a modern capital. Technological progress remains tardy. The municipality's industrial structure and product mix are still ill suited to the changes in production development and public consumption patterns. Tertiary industries have not grown as fast as they should and the citizens are still inconvenienced in a hundred ways in their daily lives. Nor has economic benefit increased strongly. The problem of over-investments in fixed assets awaits solution.

In drawing up the Seventh 5-Year Plan, the municipality reviewed the present state of social and economic development in full, adequately assessing the range of problems and difficulties facing it as well as carefully considering the municipality's solid foundation and various favorable factors. It set targets realistically according to its capabilities and did its best to base

itself on a sound, firm basis, allowing room for unforeseeable circumstances, so that the municipality can pursue even more balanced and healthy social and economic growth in the Seventh 5-Year Plan.



## Chapter 2. Major Tasks And Targets

The general task of Beijing's Seventh 5-Year Plan for economic and social development is to continue to implement the "four directives" and "Ten Official Requests" embodied in the central government's policy for development of the capital, tackle the simultaneous development of a spiritual and a material civilization, persevere with reform and forge ahead by opening up a new path, all in accordance with the general demands of building socialism with Chinese characteristics and the basic policy of invigorating the domestic economy and opening China to the world. It aims to enable Beijing to play a more prominent role as the nation's political and cultural center and better serve the central government, domestic and international intercourse, and its own people.

Beijing should abide by the following principles during the Seventh 5-Year Plan:

1. Uphold reform as its top priority. Make reform, on the one hand, and social and economic development, on the other, accommodate and stimulate each other. Work vigorously to intensify horizontal economic cooperation and further the development of a socialist commodity economy.
2. Strengthen and improve macroeconomic management and strictly control the level of fixed assets investments. Adjust the investment mix. Prevent an explosion of consumption funds. Strive to maintain a basic equilibrium among public finance, credit, materials, and foreign exchange.
3. Curb urban growth in accordance with the general demands of urban planning. Redevelop urban and rural areas comprehensively. Make an effort to improve environmental quality. Value ecological balance.
4. Continue to adjust the industrial structure by taking into account the capital's characteristics. Combine the accelerated development of tertiary industry which satisfies the public's daily needs, with the development of such sectors as consulting, finance, and insurance which serve production.
5. Insist on putting educational development and scientific and technological progress in a new strategic position. Reform the educational, scientific and technological systems successfully and expedite developments in those areas.
6. Develop an economy that fits the capital's characteristics. Tackle the technological transformation of existing enterprises aggressively. Absorb, digest, and assimilate imported technology and make innovations on it. Take the intensive-growth approach to expand reproduction.
7. Broaden external economic and technical exchange, step up exports, go all out to develop tourism, expand labor export, and work hard to increase foreign exchange earnings.

8. Foster a spirit of hardiness and willingness to undergo hardships and thriftiness in doing one's work.

9. On the basis of rising output and economic benefits, steadily improve the people's material and cultural lives in both urban and rural areas.

The municipality will strive to attain the following targets:

- GDP reach 35.3 billion yuan by 1990, at least double that in 1980 and up 37 percent over 1985, for an average annual growth rate of 6.5 percent.
- Gross national income should reach 26 billion yuan by 1990, more than double that of 1980 and up 34.2 percent over 1985, for an average annual growth rate of 6 percent.
- GVIAO should reach 47.2 billion yuan by 1990, up 35 percent over 1985, for an average annual growth rate of 6.2 percent. Of this figure, the gross value of industrial output (GVIO) account for 41.2 billion yuan, representing an average annual increase of 6 percent, and gross value of agricultural output (GVAO), 6 billion yuan, representing an average annual increase of 7 percent.
- Tertiary industry will contribute 38.2 percent of GDP in 1990, up from 33.3 percent in 1985. It will employ 42 percent of total social labor force in 1990, compared with 35.9 percent in 1985.
- Local revenues (excluding urban construction preservation taxes) will reach 6.7 billion yuan in 1990, for an average annual growth rate of 6 percent. Accumulative revenues over the entire 5-year period will be 30 billion yuan.
- Total investments in local fixed assets are put at 21 billion yuan during the 5-year period, of which 12.5 billion will finance infrastructural projects and 8.5 billion yuan will go to redevelopment and transformation. Add development investments by agencies of the central government in the capital, and gross fixed assets investments in the municipality as a whole will amount to 40 billion yuan.
- Gross social commodity retail value is estimated at 20 billion yuan by 1990, for an average annual growth rate of 9.4 percent.
- Gross foreign exchange earnings will reach \$1.6 billion by 1990, of which exports will account for \$900 million, for an average annual growth rate of 8 percent, and tourism, \$700 million (number of tourists: 2 million), for an average annual growth rate of 16.3 percent.
- The various specialized institutions under the municipality will train a total of 237,000 people in a full range of disciplines in the next 5 years. The breakdown is as follows: general colleges and universities, 45,000 graduates; general technical secondary schools, 50,000; adult educational institutions, 142,000.
- Hospital beds in urban and rural hospitals will total 46,000 by 1990, 8,000 more than in 1985.
- By 1990, 1.8 billion pages will be printed, 25 district and county cultural centers and libraries will be built, and 50 key sites of cultural historic interest will be renovated. Radio and television broadcasting will be available, respectively, to 95 and 100 percent of the municipality's area. A stadium, gymnasium and swimming pool will be built in each of the 10 suburban counties (districts).
- By 1990, 28 percent of the urban areas will be covered with trees or grass, and open space per capita will exceed 6 square meters.
- Environmental protection. Atmospheric quality on the whole will reach Class

3 of the national standards, while drinking water will reach Class 2 of the national standard. An all-out effort will be made to comply with the national standards on noise pollution control. Industrial pollution within Erhuan St. which is a public nuisance, and the discharge of industrial fumes within Sanhuan St. will have been largely resolved by 1990. The treatment rate of industrial sewage will rise to about 55 percent.

- The labor force in the municipality will consist of 3.95 million people by 1990, a net growth of 127,000 over 1985.

- Workers' earnings per capita will expand 4 percent annually on the average, compared with 6 percent for peasants. Real income growth will average about 5 percent.

- Permanent population will be held steady at 10.2 million, of which 6.2 million will live in the towns.

### Chapter 3. Industrial Structure

The focus in industrial structure readjustment will be the acceleration of the growth of tertiary industry to serve production and satisfy the daily needs of the people. With realities as its point of departure, Beijing should achieve faster growth in commerce, restaurant operations, services, repairs and tourism, among other industries, and elevate the development of post and telecommunications to an even more conspicuous position. It should also actively develop finance, insurance, information, consulting, and other industries that serve production and construction. As for the primary and secondary industries, their chief mission is internal structural readjustment.

Deregulation holds the key to developing tertiary industries that directly satisfy the daily needs of the people. We should take pains to develop the collective economy and individual economy by continuing to diversify operational forms and allowing state-run, collective, and individual enterprises in both urban and rural areas to thrive at the same time. Fledgling service industries sorely needed in society should be supported with loans or nurtured by preferential tax policies. Personnel training for tertiary industry should be expedited and a great effort made to improve personnel quality.

Even as we concentrate on such tertiary industries as commerce, restaurant operation, and services, the suburbs should vigorously open up new areas to serve the production process from pre-production through the post-production stages. The circulation channels of agricultural by-products should be cleared. The intermediate stages between production and sale should be shortened and their close integration encouraged. Transportation and storage should be improved to meet the needs of a rural commodity economy.

By 1990, primary and secondary industries will account for 5.7 and 56 percent, respectively, of the GDP, down from 6.9 percent and 59.9 percent in 1985. Meanwhile, the share of tertiary industry will have risen from 33.3 percent to 38.2 percent. Employment in primary industry which accounted for 19.6 percent of the overall labor force in 1985, will drop to about 14 percent and



employment in secondary industry will hold steady at 44 percent or so. Tertiary industry on the other hand, will provide jobs for 42 percent of the labor force, up from 35.9 percent in 1985. The predominant trend is for the workers to flow toward tertiary industry.

#### Chapter 4. Economy In The Suburbs

The policy of "serving the capital, enriching the peasants and building new modern socialist villages" must be continued to bring about across-the-board advances in agriculture, forestry, animal husbandry, sideline production, fishery, industry, commerce, construction, and transportation, and promote the specialization, commercialization, and modernization of the rural economy. While it must ensure grain production, Beijing should also transform its suburbs into stable, modern bases of non-staple food production.

##### 1. Tasks and Targets

The plan projects a gross social output value of 18 billion yuan (in 1985 prices) for the suburbs by 1990, up 53 percent over 1985, for an average annual growth rate of 8.9 percent. Of the total, GVAO (excluding rural industries) will amount to 3.2 billion yuan, representing an average annual growth rate of 4 percent, and GVIO, 10 billion yuan, representing an average annual growth rate of 10 percent.

Planned grain production is 2.15 million tons, more or less unchanged from the 1985 level.

We should severely crack down on the illegal removal of land from grain production. Relentless efforts should be devoted to the popularization of improved varieties and the strengthening of scientific management in order to raise the per unit area yield. The target is 7.5 tons per hectare.

In vegetable cultivation and supply, the policy is to "rely primarily on the inner suburbs, with supplies from outlying suburbs as a supplement, and use vegetables from other cities to make good any shortages." The illegal use of vegetable plots for purposes other than planting vegetables must be strictly controlled. A concerted effort should be made to develop vegetable cash crops in the outer suburbs.

The raising of commercial pigs will hold steady at about 2 million in 1990, of which lean pigs will account for over 1 million. Milk production will reach 250,000 tons, an increase of 85 percent over 1985. Commercial eggs will reach 140,000 tons, up 17.6 percent over 1985, while 30 million chickens will be produced, up 1.3-fold over 1985. In animal husbandry, Beijing should continue the policy of encouraging its simultaneous development in state enterprises, collectives, and individual households, and gradually establish a comprehensive system which includes improved breeds, fodder, raising of livestock, epidemic prevention, processing, marketing and sale, and technical services.

Freshwater fish production is projected at 35,000 tons, up 1.3-fold over 1985. The total area of fish ponds will exceed 66,000 hectares (100,000 mu).

Dried and fresh fruit production will be 300,000 tons in 1990, up 58.7 percent over 1985.

## 2. Major Policies And Measures

The rural economic system should be further reformed and different versions of the output-related system of contracted responsibility gradually perfected. A cooperative economy should be developed in accordance with the principle of voluntarism and mutual benefit. Science and technology should be mastered along with the training of qualified personnel. The municipality's "spark plan" should be energetically pursued, the rural labor force systematically deployed, and the settlement of surplus agricultural labor closely integrated with the development of rural market towns in order to enable peasants to "leave the soil but not the village" and prevent the unchecked migration of surplus agricultural labor into the city. With regard to town and township industries, the emphasis should be on the processing of agricultural byproducts, small-scale mining, the building materials industry, and the manufacturing of accessories for major industries. The technological transformation of existing enterprises should be systematic and targeted. The municipality must strive to raise product quality, improve economic efficiency, increase labor productivity, vigorously tackle pollution, and intensify the development of the mountainous areas to lift them from poverty as soon as possible.

## Chapter 5. Industry

During the Seventh 5-Year Plan, Beijing should make the improvement of economic benefits the central focus of its work, give top priority to the raising of product quality, augment its efforts in the research and development of new products, and correctly handle the relations between efficiency and growth rate and between quality and quantity. It must fully use its existing industrial basis, transforming, expanding or restructuring enterprises already in place. It must take the road of intensive growth to expanded reproduction and devote itself to a number of infrastructural and technological transformation projects that will generate the momentum for sustained, steady industrial growth.

The readjustment of the industrial structure must be continued, with emphasis on industries in line with the capital's characteristics and with defined advantages. Industries like food, electronics, building materials, automobiles, home electrical appliances, printing, and apparel processing should remain priorities. In the machine industry, the stress should be on the development of energy-efficient, precision electric machinery and instruments. Metallurgical and chemical industries should exert themselves to control and treat pollution and, on that basis, go in for comprehensive utilization and sophisticated processing. All industries and trades should go out of their way to satisfy the public's need for articles of daily use. All industries and enterprises should toughen industrial safety measures, conscientiously deal with environmental pollution and set deadlines for the improvement of substandard products, technologies and equipment which are heavy energy or water consumers and seriously pollute the environment. In the

absence of improvement, they should be phased out. Inter-industry and inter-sector departmentalism should be eliminated to promote horizontal economic cooperation, consolidate coordination, and facilitate mutual assistance.

The distribution of industries should be further adjusted. Factories whose continued presence in the urban areas is considered unsuitable should gradually be relocated to the more remote suburbs according to a plan. Factories located in towns and the more immediate environs should continue to develop along "Bailan Road" by stepping up urban-rural and industry-agriculture cooperation and send out spare parts and products to the outer suburban areas in accordance with the principle of specialization.

### 1. Tasks and Targets

It is projected that by 1990 GVIO will reach 41.2 billion yuan, representing an average annual growth rate of 6 percent. The production of major products should be in accordance with international standards. In quality and performance most products will be on a par with that in the developed countries during the late 1970's and early 80's. The technology and equipment of a number of key production lines will be comparable to that of developed countries nations in the 1980's.

Overall, labor productivity in state-owned enterprises will reach 27,000 yuan, representing an average annual growth rate of 5.5 percent.

Targets for key industries are as follows:

The food industry will emphasize beer, brand-name liquors, beverages, white bread, refined oil, fast food, and food additives. By 1990, flour production will range from 1.25 million to 1.35 million tons, up 10 to 19 percent over 1985, and beer, 320,000 to 400,000 tons, an increase of 100 to 150 percent over 1985.

The electronics industry should adhere to the direction of "import, absorption, assimilation, and innovation," accelerate the pace of combining domestic and foreign technology into new Chinese-made technology, and constantly enhance self-reliance and its ability to sell products abroad in return for foreign exchange. By 1990, computer production will reach 250 units, up 2.3-fold over 1985; microcomputers, 20,000 units, up 3.3-fold; and integrated circuits, 80 million units, up 9-fold over 1985. The municipality will be able to produce 300,000 program-controlled switchboards annually.

The building materials industry should implement in earnest the policy of encouraging participation by all people in industry to quicken its growth. Cement production is put at 4.1 million tons by 1990, 29 percent more than in 1985; plate glass, 900,000 crates; bathroom fixtures and accessories, 50,000 to 60,000 sets; and man-made planks, 80,000 cubic meters, an increase of 33 percent compared with 1985. Step by step the municipality will reduce its dependence on large quantities of upscale, imported furnishing materials.

In the automotive industry, efforts must be made to upgrade current automotive products. By 1990, its models and motor engines should match international

standards of the 1980's. The production capacity of the industry will reach 80,000 to 100,000 units by 1990, a one-fold increase compared with 1985.

The textile industry should continue to adjust its product mix, emphasizing the modernization and development of the chemical fiber, wool-spinning, post-printing, and post-dyeing industries. The apparel industry should improve clothing designs endlessly to turn out stylish, attractive products covering a full range of sizes to meet the needs of diverse consumers, thus turning Beijing into a new fashion center. Chemical fiber production will be 45,000 tons by 1990, up 14.2 percent over 1985; yarn, 420,000 pieces, up 9 percent; cloth, 260 million meters, the same as in 1985; woolen fabrics, 16.3 million meters, up 16 percent; knitting wool, 9,500 tons; print and dyed fabrics, 200 million meters; and garments, 150 million pieces.

#### Household Goods Manufacturing Industry

In 1990, 550,000 domestic refrigerators will be made, a 2.2-fold increase compared with 1985; washing machines, 880,000 units, up 35 percent; color TV sets, 800,000 units, up 1.1-fold; machine-made paper and cardboard, 210,000 tons, up 1.9 percent; synthetic detergents, 75,000 tons, up 46 percent; and furniture, 3 million pieces, up 20 percent.

#### Machine tool, instruments, and meter industries

Even as they diligently tackle basic technologies, basic machines and basic parts and components, these industries should intensify their drive to develop and apply electromechanical instrumentation technologies, vigorously develop energy-efficient electric machinery products, and manufacture complete sets of electricity-generating equipment. The aim is that 60 percent of their products will match the most advanced in the world in the late 1970's and early 80's. In addition, they will produce a number of machine tools comparable to the most sophisticated in the world and capable of breaking into the international market. The production of metal-cutting machine tools is put at 7,000 units by 1990, up 12.8 percent over 1985, while the output of printing machinery will go up 47 percent to 900 units. Also to be manufactured will be equipment capable of generating 1.3 million kw, up 80 percent; electric station boilers with a capacity of 1.2 million kw; 1,000 industrial cranes; and 5,000 forklifts, a 2-fold increase.

The petrochemical industry should do a still better job in comprehensive utilization, sophisticated processing, and the technical transformation relating to energy conservation. It should strive for excellence and manufacture products with a high added value. The chemical industry should devote itself to the development of good-quality, energy-efficient, high-performing and non-polluting, sophisticated chemical industrial products. The plan projects sulfuric acid production in 1990 to be 72,000 tons; caustic soda, 95,000 tons; plastics, 430,000 tons (including 30,000 tons of low-concentrate synthetic polyvinyl chloride, 110,000 tons of polypropylene and 50,000 tons of polystyrene); phenol, 50,000 tons; acetone, 40,000 tons and synthetic rubber, 63,000 tons.



## Metallurgical Industry

The iron and steel industry should perfect the 3-million-ton smelting system and put the Qianan mining base on a solid footing. It should also complete the relocation of Steel Rolling Mills No 1 and 3, and begin the removal of Beijing Iron and Steel Complex. The nonferrous metal industry should concentrate on the development of fuel-efficient, non-polluting technology-intensive products. Production targets for 1990 include: pig iron, 3 million tons; steel, 3 million tons; up 12 percent over 1985; steel products, 2.7 million tons, up 22 percent; iron ore, 16 million tons, up 18 percent; copper products, 20,000 tons, up 19 percent; and aluminum products, 17,000 tons, up 93 percent.

### Major Policies and Measures

Beijing should vigorously but steadily pursue the reform of the industrial management system, enhance the capacity of enterprises for self-modernization and self-development, and intensify macroeconomic control over industrial and economic activities.

It should continue quality control cross the board, stress quality supervision, reinforce testing and inspection organizations, and strictly prohibit the production of substandard products. It must keep up the drive for specialized cooperation, provide the conditions for specialized production, nurture all manner of affiliation and cooperation between production enterprises, on the one hand, and scientific research institutions, colleges, universities and design units, on the other. It must also enhance enterprises' capacity to improve product quality and develop new products, formulate concrete policies to provide incentives to industries targeted for preferential treatment and energize large and medium-sized enterprises, and support low-profit enterprises with loans and tax breaks, among other things.

Moreover, the municipality should draw up sound development plans for industries and key enterprises, step up technological transformation, actively import advanced technology and equipment from abroad to expedite technological progress, strengthen staff training, improve the quality of the work force, and raise enterprise managerial standards. Localities should give financial support to necessary projects.

## Chapter 6. Energy And Water Resources

Beijing suffers from severe water and energy shortages. A conscientious drive to conserve energy and water will go a long way toward ensuring successful production and construction and a stable living for the people.

### 1. Energy Production And Consumption

#### 1) Electricity

It is projected that by 1990, municipal electric generating capacity will be 13 billion kwh. The centralization of power supply should be tackled in

conjunction with the construction of power stations. The construction of facilities for power transmission and transformation in urban areas should be intensified.

## 2) Coal

Coal output by 1990 will reach 8.45 million tons.

## 3) Rural Energy Resources

In line with the principles of "adapting measures to local conditions, developing a multitude of energy resources to supplement one another, comprehensive utilization, and economic benefits" Beijing should combine the vigorous development of small coal mines with the operation of fuel forests, local conditions permitting. Efforts should be made to popularize the firewood-saving kitchen stove, build an additional 25,000 methane-generating pits, develop small-scale hydropower stations, and tap solar power.

## 2. The Water Balance

For years, water resources in the Beijing region have ranged from just 4 to 4.2 billion tons on the average, and the municipality is already drawing upon all these resources at the moment. In the urban areas and parts of the inner suburbs, ground water has been resorted to excessively. Currently annual industrial water consumption amounts to roughly 1 billion tons. Henceforth the only way to meet any increase in domestic water consumption needs is to reduce agricultural and industrial consumption, while water for new or expanded enterprises must come from conservation by existing enterprises. Agricultural water consumption must be cut back.

## 3. Major Energy And Water Conservation Targets And Measures

By 1990, energy consumption per 10,000 yuan worth of industrial output will be reduced to 3.7 tons of standard coal. Assuming an annual energy conservation rate of 4.61 percent, total savings over the 5-year period will amount to 4 million tons (standard coal). Water consumption per 10,000 yuan worth of industrial output will be brought under 200 tons from the current 230 tons. Total rural water consumption will be trimmed to about 2 billion tons.

Beijing must seriously carry out the "Provisional Regulations For the Management of Energy Conservation" issued by the State Council, devise a good system to prioritize energy and water supply, and plan water and energy uses stringently. Units that exceed their energy or water quotas will be charged a progressive scale of fees. The municipality should popularize new energy-and water-efficient products, processes, technologies and materials; do its best to cut down on energy consumption; raise the water recycling rate, adjust the industrial structure with an eye to curbing the growth of industries that use energy and water excessively and cause serious pollution so that gradually an energy- and water-efficient industrial structure will emerge. The suburbs must modify crop varieties, strengthen water use management, go all out to do a good job in irrigation ditch lining, and gradually bring about spray

irrigation, trickle irrigation and the pipeline delivery of water. Education in water and energy conservation should be strengthened and made part of the primary and secondary school curricula so that everybody becomes conservation-minded and will not tolerate waste.

## Chapter 7. Transportation, Posts, and Telecommunications

### 1. Transportation

The emphasis here will be on urban public transportation in order to relieve traffic congestion. The construction of railroads and roads will be expedited, as will the development of air transport. Existing transportation facilities will be modified or expanded and the structure of the transportation industry will be adjusted to increase its all-round capacity.

Total cargo volume of the entire transportation industry will reach 86.9 million tons by 1990, including 51.9 million tons of road freight, representing an average annual growth rate of 2.2 percent, and 35 million tons of rail cargo, representing an average annual growth rate of 2.9 percent. The projected rail passenger volume is 60 million separate trips, up 47 percent over 1985; urban public transport passenger volume, 4 to 4.1 billion separate trips, up 19.7 to 22.7 percent over 1985; and civil aviation passenger volume, 3 million separate trips, up 38.8 percent over 1985.

### 2. Posts And Telecommunications

The postal and telecommunication industries will intensify the development of modern means of communication, paying special attention to the expansion of the handling capacity of the urban telephone system. The long-distance telephone network will be vastly augmented, as will the capacity of the postal service. The quality of postal and telecommunication services will be upgraded.

In 1990, postal and telecommunications services will be valued at 430 million yuan in all, representing an average annual growth rate of 13.9 percent. Of this total, the telecommunications sector will account for 344 million yuan, representing an average annual growth rate of 15.8 percent, and the postal sector, 86 million yuan, representing an average annual growth rate of 8 percent.

### 3. Major Policies And Measures

The municipality should adhere to the principle of raising funds from diversified sources to finance transportation, postal and telecommunication developments, make active use of foreign capital, import advanced technology, strengthen the technological modernization, expansion and renovation of existing facilities and make the best use of them. It should improve management as a way of increasing transportation efficiency and adopt diversified operational forms while making sure that they are well coordinated and operate in tandem with one another. It should also organize joint transport in a variety of ways and energetically apply modern management tools, including the computer, to enhance transportation efficiency, quality, and safety.

## Chapter 8. Commerce, Restaurant Operation, Services And Repairs

To satisfy the needs of developing a planned socialist commodity economy, Beijing must further reform the circulation system to enable commodities to circulate freely, increase the availability of consumer goods and maintain price stability. That way the capital's market will flourish without interruption.

It must continue the all-out effort to develop commerce, restaurants, services and repairs, among other industries, so that the "several difficulties" people experience in their daily lives can be largely mitigated. Conditions should be provided for the agricultural product market and consumer goods retail market to grow more rapidly. Beijing should gradually develop into a city where information is widely accessible, goods circulate freely, commodities are plentiful, services are attentive and efficient and where people are provided with every convenience in their daily lives.

The plan projects total social commodity retail sales to be worth 20 billion yuan by 1990, up 56 percent over 1985, representing an average annual growth rate of 9.4 percent. By that year, retail, restaurant, services and repairs points will number 120,000, up 46 percent over 1985.

### Major Policies and Measures:

Beijing should strengthen macroeconomic guidance over the market, make a colossal effort to organize the procurement and supply of commodities much sought after in the market, and ensure that the procurement and allocation duties handed down by the state are accomplished. Policies should be formulated to encourage the production of small articles of daily use in demand in the market and initiative should be mobilized in all quarters in society to implement the policy of the simultaneous development of state-owned, collective, and individual enterprises. The municipality should vigorously develop retail commerce, restaurant operation, repair and services, adhere to the principle of small profits and quick turnover, foster the idea of enlightened business and the service orientation, take tangible steps to improve service attitude, and upgrade service quality. It must employ a combination of economic, administrative, legal and other mechanisms to free and regulate commodity circulation so that gradually a commodity circulation network will appear where the state-run commercial sector, while dominant, will coexist with a diversified economy in its various operational forms, where circulation channels crisscross with few bottlenecks and where things are made convenient for the public. The number of retail, restaurant, repair and service points should be increased even as their distribution and their mix of commodities and services are streamlined. In addition, the municipality should strengthen market management, conscientiously carry out the central government's relevant price policies and regulations to safeguard consumer interests, further tap potential and encourage organizations, enterprises and institutions to open their service facilities to the public.



## Chapter 9. Foreign Economic Relations And Trade

### The Use of Foreign Capital

Based on the principles of self-determination, equality, and mutual benefit, Beijing municipality should consolidate economic and technical exchange with other nations; expand foreign trade, the use of foreign capital, technology import, and external economic and technical cooperation; and fuel the capital's drive for socialist modernization during the Seventh 5-Year Plan.

The foreign trade system must be reformed and a herculean effort made to boost export. Import should stress advanced technology, key equipment and raw materials sorely needed by the municipality.

Exports are estimated to be worth \$900 million by 1990, representing an average annual growth rate of 8 percent, and the total value of export procurement is expected to exceed 3 billion yuan. Over the next 5 years a total of \$920 million in foreign capital will be invested in the municipality, a 2-fold increase over the Sixth 5-Year Plan.

### Major Policies And Measures

As far as expanding exports and augmenting foreign exchange earnings is concerned, Beijing must secure export commodity sources, take concrete measures to put together an export production system, give preference to technological modernization, and technology import, and accelerate product succession. Basing itself on relevant State Council regulations, it should work out measures to encourage the production of exports and increase export and hence foreign exchange earnings. It must further adjust the export commodity mix and do all it can to secure a niche in the international market for its electric machinery equipment and electronic products, initiate research on the world market, and open up new markets overseas. Foreign trade enterprises must work hard to improve the way they do business and manage their operations, economize, avoid waste and cut down on the costs of earning foreign exchange.

On foreign capital, Beijing must try to secure more foreign loans on preferential terms. In addition, it must make more use of foreign commercial loans when appropriate. It should welcome foreign businessmen to establish joint and cooperative ventures or wholly foreign-owned enterprises in Beijing. A conscientious effort should be made to implement thoroughly laws and regulations governing relations with foreigners and protect their legitimate rights and interests. There should be centralized oversight over all projects involving foreign capital. Such projects should be incorporated into the fixed assets investment plan of the municipality, as well as its foreign capital plan and foreign exchange balance sheet. In using foreign capital, the municipality should also consider its repayment capacity. In general, joint ventures are held responsible for balancing their foreign exchange revenues and expenditures. A vigorous effort should be made to enhance the economic and social efficiency of using foreign capital.

## Chapter 10. Tourism

The primary objective of tourist development in Beijing in the Seventh 5-Year Plan is to heighten its capacity to provide for the needs of tourists so that it will begin to develop into an all-purpose international tourist center. In 1990, Beijing will play host to 2 million tourists, representing an average annual growth rate of 16.4 percent, and rake in \$700 million in foreign exchange. Beijing should combine efforts to develop international tourism with moves to develop domestic tourism and make sure that tourists from all over the nation are well received.

### Major Policies And Measures:

Within the framework of centralized state planning, the municipality should marshal resources in all quarters and raise funds through various channels to strengthen the development of tourist facilities to satisfy the full range of tourist needs, from accommodation, transportation and sightseeing to shopping and communications.

It must build tourist hotels systematically in accordance with a plan and make sure that there is a proper proportion among the numbers of luxury, medium-priced and inexpensive hotels. During the Seventh 5-Year Plan, 21,000 hotel rooms of all types will be built, thus boosting the capital's overall hotel accommodation to over 40,000 rooms. In addition, apartments offering 4,000 suites will be put up, along with 4,000 offices. The production and sale of tourist commodities will be expanded. The sale of tourist commodities in return for foreign exchange should be treated in the same way as exports.

The training of qualified personnel for the hotel industry must be accelerated and their political and professional quality must be improved. Beijing should upgrade the quality of tourist publicity films, videotapes, and printed literature, and launch a publicity campaign in those nations where the bulk of tourists to Beijing originate. It must also step up tourist cooperation with neighboring nations and regions and offer a wide range of tourist services to meet the needs of tourists from diverse nations, of different races and ages and from different classes.

## Chapter 11. Science And Technology

### 1. Natural Science

During the Seventh 5-Year Plan, scientific and technological development should take center stage. The reform of the scientific and technological system must be continued and a variety of approaches adopted to exploit the capital's scientific and technical superiority. The municipality should mobilize resources in scientific research institutions, design units, colleges and universities to tackle projects concerning the major elements of economic construction and the capital's weaknesses. It must help accelerate the popularization and application of scientific research achievements and continuously improve the standard of production technology. The policy of

integrating "research, development, demonstration, and popularization" should be continued; in certain key areas, practical, valuable scientific research achievements should be popularized and an effort made to develop the capability to produce them. Even as it energetically imports advanced technology from abroad, Beijing should accelerate its absorption and assimilation, diligently seeks to convert foreign technology into Chinese-made technology, and enhances its capacity for independent innovation. The focus should be on:

1. Microelectronics technology, bioengineering, new materials, information technology (computer and optical information technology), artificial intelligence, industrial process control, business management automation, etc.

2. The sound utilization of water resources and the development of new energy resources; computerized urban administration; modern urban traffic control; environmental protection and ecological balance.

3. The continuous digestion and assimilation of and innovation on imported advanced technology; the acceleration of the domestication of advanced technology.

4. Going all out to develop new technology and new varieties in vegetables, fruit, poultry raising and aquaculture. Providing superior technical services for the establishment of non-staple foodstuff production bases in the suburbs.

5. Fully exploiting the pool of talent in the Beijing area and gradually setting up bases for such new technologies as photoconductor communications and high polymer.

#### Major Policies and Measures:

Beijing should continue the reform and restructuring of scientific research institutions, consolidate horizontal ties between scientific research units and production units so that scientific research is integrated with production and the two can nurture and stimulate each other. It should also increase investments in scientific research appropriately and intensify the development of experimental bases and scientific development centers for key industries. Operating expenses for scientific research and the three kinds of expenditures for science and technology should expand more rapidly than local regular revenues for the same year. The popularization and adoption of agricultural scientific achievements should go hand in hand with the construction of non-staple foodstuff production bases and export commodity bases. Moreover, Beijing should actively work out and implement a "spark plan;" step up information gathering, the popularization of science and technology and legislation in the field of science; and gradually improve the conditions for scientific intelligence work.

#### 2. Social Science

Social science must steadfastly follow Marxism-Leninism and Mao Zedong Thought as a guide, uphold the principle of relating theory to reality, closely adhere to the basic direction of putting theory at the service of the construction of the socialist material civilization and spiritual civilization. The focus of social science research should be the study and resolution of major theoretical issues that have occurred in the course of constructing the two civilizations in the municipality, but research on basic theories should also be stressed.

The work of various mass academic bodies in philosophy and social science should be strengthened to enable them to become a vital force in the municipality's modernization.

## Chapter 12. Education And The Training Of Qualified Personnel

During the Seventh 5-Year Plan, the municipality should earnestly and thoroughly implement the "Decision Of The CPC Central Committee Regarding The Reform of the Educational System." It should abide by the principle of orienting itself to modernization, to the world and to the future and by the notion that a person should be educated in an all-round way--morally, intellectually, physically, and aesthetically--so that education can expand significantly even while maintaining its quality.

### 1. Basic Education And Vocational Technical Education

Junior secondary education will become universal in the urban areas and county towns in 1987 and in the rural areas in 1990. Individual localities with special difficulties may be allowed more time as appropriate to put this into effect.

2. By 1990, senior secondary education (including general senior high schools, vocational senior high schools, secondary specialized schools, and technical schools) will be made universal in the urban areas and county towns.

In 1990, elementary school recruitments will total 160,000, while enrollments will reach 1 million. The corresponding figures for junior high schools will be 100,000 and 300,000, respectively.

The implementation of 9-year compulsory education will be accompanied by intensive efforts to develop pre-school education, improve kindergartens, and provide special education to the blind, deaf, mute, and mentally retarded children. Beijing will also exert itself to develop education for minority nationalities.

The development of secondary vocational and technical education must be continued vigorously, particularly in rural areas.

Recruitments by general senior high schools are put at 36,000 in 1990, while recruitments by all types of full-time vocational schools are estimated at 49,000.

### 2. General Higher Education

The ongoing effort to adjust the specialized fields of study and academic structure must be continued. The conditions in which institutions of higher education operate should be changed for the better and the quality of education must be improved steadily in order to train more and more qualified people for the nation.



By 1990, recruitments by full-time general institutions of higher education, including undergraduates and special students, will reach 44,000, of whom 13,000 will be recruited by municipal institutions. Graduate student recruitments will reach 9,000, of whom 400 will be recruited by municipal institutions. During the Seventh 5-Year Plan, a total of 160,000 undergraduates and special students will graduate, 45,000 of them from municipal institutions of higher education, as will 33,000 graduate students, 1,000 of them from municipal institutions.

### 3. Adult Education

Steady progress will be made in higher education and secondary education for adults. On-the-job training will be stepped up to upgrade workers' scientific, cultural and professional standards.

By 1990, enrollments in institutions of higher education for adults in the municipality will reach 180,000, 60,000 of them in municipal institutions. Corresponding figures for adult secondary schools will be 70,000 and 60,000, respectively. During the Seventh 5-Year Plan, a total of 80,000 adults trained in diverse fields will graduate from a variety of colleges and universities run by the municipality. They will be joined by 62,000 other adults who will have completed training in municipal secondary specialized schools.

### 4. Major Policies And Measures

1. Beijing must improve the quality of its teachers. It must reform the recruitment system of teacher training colleges and improve the quality of new students by requiring recommendations and examinations. Moreover, training for working teachers should be intensified to make them better teachers. Respect for the teaching profession should be fostered in society.

2. Educational spending must be increased, with educational appropriations going up at a higher rate than the growth of regular local revenues. Educational surcharges and voluntary donations by units associated with a particular school should not be diverted to other uses. All quarters in society should be mobilized to concern themselves with education and support it. Units and individuals should be encouraged to make donations to education.

3. Beijing should boost investments in educational facilities and improve the conditions in which existing schools operate.

4. Beijing should popularize television as an educational medium. Depending on its needs and capabilities, the TV University should gradually expand its recruitment in a socially responsive way. A strong effort should be made to develop secondary technical education via television.

## Chapter 13. Public Health, Culture, And Sports

### 1. Public Health And Medicine

#### Public Health And Health Care

There should be a continuous expansion in medical and health care facilities in urban and rural areas. The medical and public health contingent should be augmented and medical and scientific standards should be raised. The scientific management of medical services should be strengthened and service attitudes improved to ensure a healthy population. Epidemic prevention should be stepped up, along with the construction of the epidemic prevention contingent. The emphasis here is the prevention of infectious diseases, local diseases and occupational diseases that pose a serious threat to public health. The incidence of major infectious diseases should be controlled and lowered.

Traditional Chinese medicine should be vigorously developed, as should its integration with Western medicine. Traditional Chinese medical organizations at the municipal and district (county) levels should be put on a sound basis, and a center for Chinese medical research should be established to spearhead the growth of the traditional Chinese medical contingent.

Intense medical scientific research should be launched to attack such diseases as cardiovascular diseases, brain blood-vessel diseases, tumors and viral hepatitis. New breakthroughs should be achieved in extensive epidemiological research.

#### Medicine And Drugs

During the Seventh 5-Year Plan, Beijing should accelerate technological transformation, improve production conditions, multiply testing devices, adjust product mix, upgrade product quality and develop new, high-quality, effective and non-polluting products.

In the field of chemical medicine, the primary concern is to improve the standard of preparations so that they will attain the international standards of the "san ding, san xiao, and san fan" [0005 1353, 0005 2400, 0005 6847].

The production of various types of new amino acid preparations should be increased. In raw material medicine, Beijing should apply itself to the development of vitamins and related products, semi-synthetic antibiotics, and cephalosporin antibiotics. New varieties of cardiovascular and asthmatic drugs should be researched and manufactured. Vitamin supplement production should be expanded. Research and development should be initiated in biochemical medicine and biochemical reagents. Efforts must be made to improve the technological standard of the production of Chinese prepared medicines, intensify the search for secret or proven medical formulas, and come up with new preparations.

## 2. Culture

### Culture And Art

The municipality must follow closely the direction of serving the people and socialism, give pride of place to social efficiency, implement the principle of "letting a hundred flowers blossom and a hundred schools of thought contend," and do its best to vitalize socialist artistic creation to reflect the spiritual outlook of the entire population in the capital. It must do more to promote research in art and science and the excavation and processing of the nation's artistic heritage. The leadership system of specialized artistic organizations should be overhauled, as well as the way they are run and managed.

### TV Broadcasting

Infrastructure in television broadcasting should be stepped up along with its programming capacity. The goal is rich diversified TV fare of a high quality, lengthened broadcasting time, and an enlarged TV reception area. By 1990, people in 95 percent of the municipality should be able to receive TV broadcasting.

### Newspaper Publishing And Printing

Newspapers should accurately publicize the party's line, policies, and principles, disseminate all scientific, technological, and cultural knowledge of benefit to economic development and social progress, promote social and economic development, and broaden the circulation of cultural, scientific, and technological information. It is estimated that by 1990 newspaper publishing will take up 1.8 billion pages. Newspaper quality should be improved continuously to turn the press into a thought-provoking source of up-to-date information and new knowledge that can meet the needs of a diverse readership.

Initiative should be mobilized throughout society to nurture printing as a key industry in the capital. The modernization of printing technology should be accelerated and an effort made to reduce printing turnover time.

### Mass Culture

Grassroots cultural developments should be strengthened to invigorate the cultural life of the masses in their spare time. Beijing should raise the standard of mass cultural activities without diminishing their popular appeal. In the Seventh 5-Year Plan, 19 district or county cultural centers and libraries will be built or renovated across the municipality, while neighborhood and Class 1 township cultural stations will be improved, forming a mass cultural network at four levels--municipal, district (county), township and the grassroots.

### Cultural Preservation And The Construction Of Museums and Archives

Beijing must redouble its efforts in cultural preservation and management and combine scientific preservation with sound utilization so that cultural relics

can play an even more important role in the Four Modernizations. The 600-some cultural relic preservation sites above the county and district levels should be repaired in batches in order of priority. The municipality should draw up cultural relic preservation legislation, rules and regulations, educate the masses in the need to protect cultural relics, and severely crack down on relic smuggling.

### 3. Sports

The nurturing of a good corps of athletes must be stepped up and a drive launched to encourage sports among the general public. The standard of sports must be raised and the physical fitness of the people improved. The focus should be on physical education in schools, starting with small children. Beijing should commit itself to upgrading physical education facilities in schools, expanding the physical education teaching force, improving standards in physical education steadily and initiating sports activities for the vast numbers of workers in their spare time. It should actively cooperate with relevant agencies in the central government to prepare for the Asian Games, finishing on schedule the construction or modification of the 27 facilities approved by the organizers of the Games.

Training for the reserve army in sports should be intensified. The construction of the contingent of outstanding athletes should be stepped up, the quality of athletes and coaches must be enhanced and an all-out effort made to achieve excellent results in major athletic competitions.

## Chapter 14. Environmental Protection And Greening

### 1. Environmental Protection

Goals for air quality control: National Standard Class 2 in scenic areas and nature preserves, and Class 3 in urban areas.

Environmental quality of water bodies. The three major reservoirs and their systems of diversion channels, which are the source of drinking water, will achieve National Standard Class 2, while decorative lakes and rivers will achieve Class 3.

Environmental noise. The municipality will be divided into separate zones functionally, most of which will achieve the national standards appropriate to their zone designation, with the exception of certain areas.

Urban solid waste. Urban garbage should be treated expeditiously. The detoxification rate should be raised.

Industrial pollution within Erhuan Road will largely be brought under control. The comprehensive utilization rate of industrial waste will exceed 50 percent, and its treatment rate, 30 percent; the treatment rate of industrial dust particles, above 85 percent; and the treatment rate of industrial sewage, about 55 percent.



## 2. Greening

The point of departure here is to enlarge the entire region's tree cover and improve its environmental quality. In accordance with the basic guideline that a large park be built in the capital, Beijing should combine urban tree-planting with suburban tree-planting, integrate large parks and extensive lawns with their smaller counterparts, make greening part of urban construction, and intermingle trees and shrubbery with flowers and grass.

During the Seventh 5-Year Plan, a total of 7.5 million trees will be planted and 5 million square meters will be seeded with grass. By 1990, there will be 6 square meters of public open space planted with trees or covered with grass per person, and 28 percent of the area of the municipality in all will assume a green look. In the more remote suburban counties, corresponding figures will be 3 to 7 square meters and 30 percent, respectively.

## 3. Major Policies And Measures

Environmental protection, greening and the maintenance of the ecological equilibrium should be made part and parcel of urban and rural planning and construction. Long- and medium-range plans on environmental protection and urban greening must be drawn up carefully. A cap should be imposed on the amount of wastes discharged. Atmospheric environmental protection should center on the built-up urban areas. The municipality should vigorously develop such clean fuels as gas and natural gas and push ahead with centralized heat supply and joint heat supply. It should popularize the use of formed coal and set aside adequate areas in the capital as open spaces to be planted with trees. Residential areas should be separated from one another with green spaces, either scattered or grouped. The urban areas should be ringed by a green belt. In the protection of water bodies, the primary concern is the protection of drinking water. Trees should be planted near water sources and along river banks. In the treatment of solid wastes, the emphasis should be on urban garbage and smoke ashes; economic policies should be formulated to give incentives to the development of the technology for comprehensive utilization of powdered coal dust. The demonstration projects of various agroecosystems in the suburbs should be properly conducted, biological control work should be launched and pesticide use should be reduced. The public should be mobilized to plant trees, vastly increase nursery stock and grow flowers and plants to prevent soil loss. The comprehensive utilization of resources should be encouraged and old enterprises and products that seriously pollute the environment must be eliminated by a set date. All kinds of construction projects must be required to undertake environmental impact studies. Projects cannot be built without authorization.

Environmental and greening agencies at all levels should be strengthened and environmental management toughened. Environmental protection and greening rules and regulations of a local nature should be drawn up and perfected.

## Chapter 15. Fixed Assets Investments

The level of investments in fixed assets must be strictly controlled during the Seventh 5-Year Plan. The investment structure must be modified to ensure

that key projects are actually built. The macroeconomic management of fixed assets investments must be strengthened and improved, while efforts must be made to increase investment returns.

## 1. Local Capital Construction

Over the next 5 years, a total of 12.5 billion yuan will be set aside to finance local capital construction, up 67.6 percent over actual investments in the Sixth 5-Year Plan.

### (1) Investment Principles

The level of capital construction investments in the first 2 years of the Seventh 5-Year Plan must be maintained at the 1985 level. Those 2 years will be devoted to completing projects already under way; a tight lid will be imposed on new projects. In the last 3 years of the Seventh 5-Year Plan, the municipality will launch needed new projects as appropriate, financial and material resources permitting. Investment priorities are as follows:

1. Urban infrastructural development will continue to enjoy priority over all other kinds of projects;
2. Increase investments in education and science and give preference to cultural facilities, medical services and health care;
3. Make sure that Asian Games facilities are built, as well as other projects involving foreign participation for which contracts have been signed. Also, more facilities offering tourist services should be built.
4. Investments in production facilities in agriculture, industry and commerce should be expanded as appropriate, while investments in nonproduction projects should be drastically curtailed. Housing should be built wherever justified.

### (2) The Level Of Investments And Investment Structure

Urban infrastructural allocations (including those for housing) will amount to 4.04 billion yuan during the Seventh 5-Year Plan, double that over the preceding 5 years, mainly to finance projects in water supply, water drainage, gas supply, heat supply, urban roads, subways, environmental protection, sewage treatment, sanitation, tree planting and greening.

Scientific, educational and cultural agencies will be allocated 1.12 billion yuan, 100 percent more than what was actually invested in the Sixth 5-Year Plan. Most of the investments will go to all kinds of schools, scientific research units, cultural and sports facilities and hospitals.

Commercial and tourist agencies will be allocated 2.24 billion yuan, 90 percent more than the actual investments in the Sixth 5-Year Plan, primarily to fill gaps in the network of commercial points in residential areas; renovate and build new commercial centers at the district level, and, in some instances, at the municipal level; and put up luxury, medium-priced and inexpensive hotels and restaurants in a reasonable proportion to relieve the shortage of hotel accommodation affecting domestic and foreign tourists.

Industrial agencies will be allocated 3 billion yuan, mainly to finance projects in food, electronics, building materials and light and textile

industries, among others, that suit the capital's characteristics in order to ensure steady industrial expansion in the capital and maintain developmental momentum.

Agricultural, forestry and water conservancy agencies will be allocated 580 million yuan, mainly to popularize scientific research achievements, build conveyance systems and develop fodder and processing industries using such agricultural products as poultry, eggs and milk.

Political and legal departments will be allocated 280 million yuan in investment funds, primarily to put up buildings to house procuratorial organs and people's courts, and build reform-through-labor, reform-through-education, fire-fighting, and traffic control facilities.

District and county investments will total 630 million yuan.

Other investments will amount to 610 million yuan (including the construction of buildings necessary to the implementation of the private residential housing policy).

Investments in housing construction by various agencies will amount to about 3 billion yuan, resulting in 10 million square meters of residential space.

### (3) Striving To Improve Investment Returns

A sound management system must be put in place and business must be conducted in strict accordance with capital construction procedures. Relevant state regulations must be complied with when privately raised funds are used in capital construction. Such funds must be deposited in a special account with the Construction Bank for more than half a year before they can be used. Bank loans and trust investments cannot be used as privately raised funds. A system of open bidding must be adopted to select design and construction units. If necessary, administrative tools as well as economic levers and regulatory devices should be applied to compel construction and design units to be more efficient.

## 2. Technological Transformation

During the Seventh 5-Year Plan, 8.5 billion yuan will be set aside to finance local technological transformation, 57 percent more than in the Sixth 5-Year Plan. Of this, 6 billion yuan will go to industrial technological transformation.

Technological transformation must follow a set of priorities and proceed systematically, zeroing in on these three types of enterprises:

1. Large and medium-sized key enterprises which are leaders in their respective industries in terms of production technology and management standards and which, after transformation, can serve as a trailblazer for others.

2. Old enterprises which impact the entire national economy but are burdened with relatively backward technology and equipment.

3. Enterprises in light, textile and food industries with extensive export, foreign exchange-earning and import substitution commitments; and machine tool and electronic enterprises with export potential.

Technological transformation in all enterprises should center on the improvement of economic efficiency. They should do their best to improve the quality and performance of their products, economize on energy, cut down on raw material consumption, come up with new designs and varieties, and enhance their capacity to turn out high-quality, brand-name products popular in foreign markets. Moreover, they should try harder to improve industrial safety and tackle environmental pollution.

It being their mission to equip the various sectors of the national economy, the machine-tool and electronic industries must stay one step ahead of the rest in technological transformation. With product succession as its goal, Beijing should successfully modernize key enterprises that produce basic parts and components, basic machinery and complete sets of equipment.

### 3. Technology Import

Technology import must follow a set of priorities and proceed systematically. As far as enterprises are concerned, the emphasis should be on large and medium-sized enterprises that are capable of selling their products abroad in return for foreign exchange or can contribute to import substitution. As for imports, they should primarily consist of software and technology, particularly the production technology of raw materials and basic components, basic technology and vital and needed equipment.

Beijing should do a better job in import control to avoid duplication and use a mixture of economic and administrative mechanisms to strengthen macroeconomic management and supervision. Adequate feasibility studies should be prepared on proposed imports, which should be carefully scrutinized and assessed in detail so that mistakes will not be made. Technology import should be accompanied by heightened attention to technology absorption and assimilation. Along with technology, appropriate management techniques and testing methods should be introduced from abroad to reinforce the municipality's own independent developmental capability and improve the standard of domestic products.

Technology import may take diverse forms, depending on the industry and project in question

## Chapter 16. Urban Construction

During the Seventh 5-Year Plan, Beijing should continue to regard urban infrastructural developmental as its top priority in urban construction to further ease water, gas, heat and electricity shortages, remove communication bottlenecks and increase transportation capacity.

**Water supply.** The main projects are Phase 1 of the Water Plant No 9, Chengzi Water Plant and related systems of water pipes. These projects will expand urban daily water supply capacity by more than 500,000 tons. As for gas supply, the major projects are the construction of a pipeline to carry natural gas from the Huabei Oil Field to the capital, the transformation of coking plants, the gas project at Capital Iron and Steel Complex and the promotion of domestic gas so that most residents will switch to gas for cooking purposes.



About power supply, the major projects are Phase 2 of the Zuojiashuang Heat Supply Plant, a pipeline system for the Shijingshan Heat and Power Plant, and the Jianfeng boiler plant at No 2 Heat and Power plant. The result will be an increase from 9.16 million square meters to 30 million square meters the area in the municipality served by centralized power supply. As far as urban road construction is concerned, the most important projects are the construction of Sanhuan Lu in the southeast, the outer Erhuan Lu and a number of related gallop bridges, the opening up of certain checkpoints and the building of the subway under Fuxing Men. During the Seventh 5-Year Plan, construction will also begin on the subway between Fuxing Men and Jianguo Men. The aim of these projects is to relieve traffic congestion within the city and ease the outbound traffic in the south. Concerning environmental protection, the major projects are the construction of Miyun, Huairou and Gaobeidian sewage treatment plants, a main sewer in the western suburbs, and sewage pipeline systems in the urban areas; the partial treatment of Tonghui He and Liangshui He; the building of garbage dumps and an treatment plant; comprehensive environmental treatment; the relocation of a number of factories which pose a serious pollution hazard to the public, and urban greening. In addition, public transportation vehicles will be purchased, terminals and bus stops erected, and houses demolished as appropriate.

Housing construction should be planned in close coordination with the development of the new city, the redevelopment of the old city and housing demolition by the municipality. The redevelopment of the old city should not be financed exclusively by state investments, as in the past. Apart from annual local appropriations, Beijing must mobilize enthusiasm in all social quarters to raise funds in multiple ways and assign different parts of the redevelopment task to different units.

The municipality should reorganize all construction companies, set up a good management system, prohibit the free buying and selling of housing, investigate illegal housing speculation for profits and severely punish those responsible.

## Chapter 17. Public Finance And Monetary Matters

Public finance agencies should look into ways to create wealth, accumulate wealth and use wealth. They should manage all kinds of funds well and use them to good effect. They should vigorously support the reform of the economic system to ensure that production, construction and all kinds of projects proceed smoothly.

### 1. Budgetary Revenues and Expenditures

On the basis of improved management and steadily rising economic efficiency, the Beijing municipality should work hard to make sure that its revenues and expenditures expand at the same pace as production. During the Seventh 5-Year Plan, local revenues are projected to increase 6 percent annually, reaching 6.7 billion yuan by 1990. The 5-year accumulation will be 30 billion yuan.

Spending on education, scientific research and agriculture, among other things, will grow faster than local regular revenues. Urban protection



expenditures will grow correspondingly, while administrative costs must be strictly curbed.

To achieve a balanced budget, the municipality must do everything possible to increase revenues and cut back on spending. There should be aggressive actions to develop production, invigorate circulation and improve economic efficiency. The key to increasing revenues lies with tax collection. In line with relevant national tax policies and regulations, the municipality must toughen tax collection and management and insist on conducting an annual tax and financial general inspection to ensure revenue targets are fulfilled or over-fulfilled. Fiscal discipline must be tightened, financial supervision and control strengthened and the efficiency of fund utilization heightened. Any unjustifiable expenditures must be slashed and the purchasing power of social groups closely checked.

## 2. Extra-budgetary Funds

Extra-budgetary funds during the Seventh 5-Year Plan are put at 30 billion yuan, reaching 7 billion in 1990 alone. The management of such funds must be intensified. An important function of planning and financial agencies is to exercise leadership over the proper use of extra-budgetary funds. Management agencies at all levels and all enterprises and institutions must strengthen their management of extra-budgetary funds and adjust the thrust of their use reasonably. Finance and auditing agencies should and sharpen their oversight and supervision over extra-budgetary funds.

## 3. Bank Loans

By 1990, deposits in all local banks are expected to hit 24.9 billion yuan, 9.3 billion yuan more than in 1985. Of this figure, 3.1 billion yuan are deposits and 4.7 billion yuan are savings deposits in towns. In 1990, bank loans will amount to 25.7 billion yuan, 13.2 billion more than in 1985. Most of the loans will be made to ease cash flow. As for loans for fixed asset investment purposes, they will be extended in strict accordance with the plan. It is expected that 12.6 billion yuan will be withdrawn from circulation over the next 5 years.

To relieve the extreme shortage of credit funds, banks should go out of their way to encourage savings and increase deposits during the Seventh 5-Year Plan. The number of savings points must be increased, and savings by mail must be developed. Organizations, enterprises and institutions should also be recruited to act as savings agents. The management of credit funds must be strengthened, the misuse of funds must be strictly reduced, loans which are due or overdue should be collected promptly and fund circulation must be accelerated. To make sure money is put to better use, funds must be allocated and manipulated flexibly. Banks must provide better services and operate more efficiently.

## 4. Insurance

During the Seventh 5-Year Plan, the insurance industry should put itself at the service of production and the public and play an even more constructive economic compensatory role. That way the industry will be able to grow more rapidly, making possible the appearance in the next 5 years of a rudimentary

insurance system, shaped by both legislation and voluntarism. Insurance premiums over the entire 5-year period will total 1 billion yuan, an increase of 3.9-fold over the Sixth 5-Year Plan, representing an average annual growth rate of 27 percent.

## Chapter 18. Balancing The Supply And Demand Of Goods And Materials

As the materials control and allocation system undergoes more thoroughgoing changes, the variety and quantities of goods and materials centrally allocated by the state will gradually diminish. Since the demand for key materials will still outstrip supply considerably in the next 5 years, the municipality must exert itself to tap new sources of materials and balance the supply and demand of goods throughout society.

Among materials allocated by the municipality are substances essential to the fulfillment of the command production plan and the completion of priority projects. Raw materials necessary to the manufacture of durable consumer goods should also be allocated. As for raw materials vital to other products and projects, the market will be the chief regulator of their supply and demand. New sources of materials must be tapped in a hundred ways, foreign resources must be introduced to supplement local supplies and material circulation must be energized.

Materials agencies and agencies at all levels which consume materials must each exploit their own advantages, initiate inter-region, inter-section and inter-industry cooperation to develop material sources and establish new material bases. It should be placed at high priority the conservation of certain kinds of raw materials. All production and construction units should improve raw material management, strive to lower consumption, take concrete measures to cut down on materials kept in reserve and eliminate waste so that limited materials are put to the best possible use. More should be done to retrieve and utilize old discarded metals.

## Chapter 19. Population, Labor And Social Security

### 1. Population

That urban and population growth must be strictly controlled is a firm unchangeable policy. During the Seventh 5-Year Plan, the municipality must continue the policy of late marriage, late childbirth, and one child per couple. It should make contraception the central focus of its population policy and promote a full range of contraceptive methods to be used in combination with one another. Even as it conscientiously seeks to curb natural population growth, it must also take forceful measures to check population increase due to migration.

The municipality's permanent population will be contained at 10.2 million in 1990, 620,000 more than in 1985, of which 6.2 million will live in the towns. Over the 5-year period, population growth from migration will be limited to 150,000, while the natural population increase rate will be about 8 per thousand population.

## 2. Labor

During the Seventh 5-Year Plan, the municipality's labor force will increase by 900,000, 500,000 in the towns and 400,000 in the villages, to reach 3.95 million in late 1990. In line with the principle of "leaving the soil but not the village," most new entrants into the labor force should be steered toward the tertiary sector.

## 3. Social Security

In accordance with the principle that social security benefits production and safeguards livelihood, the municipality should gradually establish and improve all kinds of social security systems as well as social welfare, social relief, and special care for disabled servicemen and the families of revolutionary martyrs.

In the management of the social security system, the municipality should insist on combining social management with unit management, giving primacy to the former. It should also improve free medical service and worker health care services.

In the area of social welfare, the municipality will further improve the social security system and facilities. More child-care centers, nurseries, activities centers for the elderly and disabled, social welfare centers, nursing homes, and sanatoriums should be built to provide additional facilities where workers can rest and recuperate.

A variety of social security funds should be established through diverse channels, supported essentially by contributions from enterprises and other income-producing institutions. Gradually, however, such funds should be financed by the state, collectives and individuals in a reasonable ratio.

Social relief and special care for disabled servicemen. More should be done to protect the livelihood of the handicapped and provide care for family members of revolutionary martyrs and servicemen. The employment and living needs of the blind, deaf and mute should also be met adequately.

## Chapter 20. Residents' Incomes And Consumption Patterns

On the basis of rising output and economic efficiency, the municipality will steadily improve the material and cultural lives of its urban and rural residents.

### 1. Residents' Incomes

Municipality-wide, consumption funds among urban and rural residents are projected to grow 5 percent in real terms annually on the average.

The municipality should implement the principle of distribution according to work in earnest and eliminate egalitarianism. However, it should also do something about gross income disparities among members of society. It should

perpetuate the fine tradition of hard work and thrift which was what the nation was founded on. Consumption funds must not be allowed to expand too rapidly. The management of the wage system must be improved.

## 2. Consumption Patterns

Consumption by urban and rural residents will increase 28 percent in real terms in 1990, compared with 1985. This increase will be accompanied by changes in consumption patterns as well. Beijing residents will spend 49 percent of their income on food, down from 52 percent; 14 percent on clothing, more or less the same as in 1985; and 26 percent on households goods, up from 24 percent. Housing will take up a rising share of earnings, while spending on cultural and other services will also go up, to 8 percent.

The municipality should work harder to educate the population in consumption matters and formulate policies and measures to encourage sensible consumer behavior.

## Chapter 21. National Land Development And Management

During the Seventh 5-Year Plan, the municipality should follow the objective demands of the laws of nature and economics and seriously tackle national land development and management.

It should draw up a municipality-wide outline plan for land management up to the year 2000 and continue comprehensive research and evaluation on land development. It must make water and soil conservation and the prevention of desertification an integral part of the capital's drive for modernization and carry out the national government's "Three Bei's" shelter forest plan and its tree-planting and greening plan involving Tianjin, Zhangjiakou, Chengde, Tangshan, and Beijing.

Urban and rural land management must be strengthened and practical measures taken to protect farmland. It must intensify geological work and launch research on all geological resources, the most important of them being water, and concentrate on the comprehensive research of hydrogeology, engineering geology and environmental geology. It must gradually complete surveying on water resource bases for satellite towns and continue its geological work in search of minerals and water, expand its prospecting area for geothermal energy resources, and complete its general evaluation of geothermal energy. The goal is to find two or three developable geothermal fields.

## Chapter 22. Reform of the Economic System and Horizontal Economic Cooperation

In line with the state's centralized plan, Beijing should continue to reform the economic system even more thoroughly, further straighten out various relations, and fully unleash the initiative and creativity of the vast numbers of enterprises and workers.

1. It should continue to invigorate enterprises, especially large and medium-sized state-owned enterprises. Even as it upholds the primacy of the socialist system of public ownership, it should keep up its effort to



encourage different forms of ownership and diversified operational methods. In accordance with the state plan, it should systematically reduce or waive the regulation tax, allow accelerated depreciation when circumstances justify, gradually adopt the factory director (manager) responsibility system, perfect the economic responsibility system within enterprises, reform wage, incentive and labor systems and further augment the managerial autonomy of enterprises and enhance their capacity for self-accumulation, self-transformation, and self-development.

2. The municipality should develop a socialist commodity market and gradually build up a sound market system. On the basis of rising output, it should continue to reduce properly the variety and number of products under centralized state allocation, perfect the contractual ordering system for agricultural byproducts, do its best to develop inter-region, inter-sector commodity circulation, and constantly enlarge the markets for consumer goods and means of production. If possible, it should systematically open up a technical market and money market provided that the need exists for them.

3. It should pursue price reform firmly but steadily, based on the principle of combining regulation with liberalization. The core of price reform should be a step-by-step effort to end the underpricing of such means of production as energy resources and raw materials.

4. It should establish a new socialist macroeconomic management system, further reform the planning system, appropriately reduce the relative importance of command planning while expanding the scope of guidance planning and market regulation, slowly strengthen and perfect the indirect control system, and shift the focus of planning to economic policies, economic leverage and macroeconomic management and regulation. It should adapt to changes in the functions of government economic agencies and reinforce comprehensive economic management agencies and economic supervision and oversight agencies.

#### 5. Strengthen Horizontal Economic Cooperation

It should make full use of the capital's role as a political and cultural center, continue to eliminate departmentalism, break down regional barriers and throw open its doors to forge horizontal economic linkages of different kinds, in different forms and at different levels in accordance with the principle of exploiting one's strengths and downplaying one's weaknesses, mutual benefit and joint development.

1. On the basis of voluntarism and mutual benefit, it should launch a drive, spearheaded by its flagship products, to encourage the establishment of a variety of enterprise groupings at different levels in order to promote the rational circulation of capital, equipment, technology and qualified personnel.

2. It should steadfastly follow the "Bailan way" and energetically promote horizontal urban-rural economic cooperation through the farming out of production, joint development, direct linkage between production and sale, and other methods.

3. It should vigorously establish closer ties with such neighbors as Chengde, Baoding, Zhangjiakou, Tangshan and Langfang.



4. It must systematically initiate horizontal economic cooperation with other places throughout the nation.

5. In light of the needs of production development in the capital, it should cooperate actively with other localities through material exchange.

6. It should step up its support for the Nei Menggu Autonomous Region in a way geared to the latter's needs.

#### Chapter 23. Economic Information

Beijing must improve its economic information management system. It must establish a multilevel economic information network and master traditional informational techniques, and on that basis, strengthen forecasting techniques and modernization.

Beijing's automated management system for economic information should adopt modern information technology, economic mathematics, and scientific management to gather, process, manage and transmit information in order to provide government economic agencies at all levels with economic information and relevant social information accurately and promptly. It should strengthen statistical information work and statistical supervision, develop statistical analysis and economic forecasting, and perfect input-output statistics.

The development focus of the municipality's automated management system for economic information is the main system based on the economic information center. This system should gradually link up with various departments in the central government and with provinces and municipalities. As the central processing station for the municipality's automated management system, the municipal planning statistical and computation station is responsible for a range of data management tasks including planning, statistics, forecasting and decision-making support. In building up its economic information management system, the municipality should set priorities, tackle the easier tasks before the more difficult ones, promote work in all areas by drawing upon experience gained at key points, and proceed step by step.

#### Chapter 24. Socialist Spiritual Civilization

During the Seventh 5-Year Plan, the municipality should elevate the construction of the socialist spiritual civilization to an preeminent position so that after a few years' hard work, Beijing will become the best city in the nation in terms of civic discipline, law and order, social climate and moral tone.

1. It should fortify and improve ideological and political work in earnest. It must educate the people in the four basic principles even more thoroughly and inculcate in them such values as patriotism, collectivism, "ideals, morality, culture, discipline," social ethics and professional ethics. It should vigorously pursue the "five stresses, four beauties and three loves" campaign, the drive to "establish civilized units through military-civilian cooperation," as well as activities to encourage the people to be "civilized citizens, set up civilized units and build a civilized city," and voluntary communist labor. It must establish a powerful political and ideological work system suited to the characteristics and demands of the new era, strengthen

party leadership over political and ideological work, adjust and expand the contingent of specialized political work cadres, make the best use of trade unions, the Communist Youth League, the Women's Federation and other mass organizations and social groups, and actively discover new principles and new methods in ideological and political work in the new era.

2. Beijing will continue to deal with law and order problems comprehensively. It must continue to crack down on serious crimes, including economic crimes, to cutting the crime rate to the lowest level ever within a few years. It should aggressively intensify education for adolescents and young people as a way of lowering juvenile delinquency. Management responsibility systems for public places must be beefed up to improve public order. Effective measures must be taken to lessen serious fires and other hazards to public safety. Law enforcement agencies must be strengthened with more and better personnel.

3. The construction of socialist democracy and legal system must be intensified. Socialist democracy must be enhanced. Governments at all levels should highly respect the people's congress and its standing body at the corresponding level and submit to their supervision. In addition, they should seriously deal with all resolutions and proposals put forward by delegates to the people's congress and members of the Chinese People's Political Consultative Conference [CPPCC]. Visits by and letters from members of the public should be treated similarly.

Even as it earnestly implements the various laws, rules and regulations issued or formulated by the standing committee of the National People's Congress, the State Council and the standing committee of the municipal People's Congress, it should establish sound regulations of an administrative nature at the local level and gradually put together a complete and coherent legal framework for urban management. It is laws and regulations that should be used to govern people's conduct and regulate all relations in social life and economic life.

In line with the plans of pertinent agencies in the central government, the municipality must effectively publicize and impart general legal knowledge to the people. Colleges should offer legal courses extensively while elementary and secondary schools must make general legal knowledge part of their curricula.

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## ECONOMIC PLANNING

### YUNNAN RIBAO OUTLINES OBJECTIVES FOR 7TH 5-YEAR PLAN

Kunming YUNNAN RIBAO in Chinese 23 Dec 85 p 1

[Report by Feng Yingyu [7458 5593 0056]: "Promoting Urban and Rural Reform, Improving Economic Results: Provincial Government Proposes Five Targets for Endeavors in Economic Work Next Year"]

[Text] The Five Targets for Our Endeavors Are: 22 Billion Yuan of Total Output value for Our Industrial and Agricultural Enterprises; 20.5 Billion Jin of Foodgrain Production; 3.3 Billion Yuan of Total Income for Our Rural Enterprises; 25 Percent Increase in Total Value Over That of This Year for Our Export Commodities; and More Than 2.6 Billion Yuan in Our Financial Revenues

Most recently, the provincial people's government, after summing up and analyzing this year's situation of economic work in our province, has made clear its guiding ideology and proposed five targets for its endeavors in the province's economic work next year.

The guiding ideology and targets of the provincial people's government in the province's economic work next year have already gone through full discussion by delegates who participated in the provincial economic work conference (concluded on 16 December). Next year, in our economic work we must grasp simultaneously the two civilizations, adhere to the promotion of urban as well as rural reform, improve our economic results, enhance the creation of foreign exchange through exports, arrange well our urban and rural markets, and assure the continued, steady and coordinated development of the national economy in our province. Under the premise of assuring the fulfillment of our various economic plans, we must realize five targets for our endeavors: One is to help total output value of the province's industrial and agricultural enterprises reach 22 billion yuan; the second is to help total production of foodgrains to reach 20.5 billion jin; the third is to help total income of our rural enterprises reach 3.3 billion yuan; the fourth is to help the total value of our export commodities increase by 25 percent this year; and the fifth is to help our financial revenues reach more than 2.6 billion yuan.

In order to realize the aforesaid targets, the provincial people's government has asked leading comrades of all economic departments to give priority to doing a good job in handling our reform and adhere to the promotion of our urban and rural reform. In order to enliven our enterprises, we must

externally create conditions for our enterprises, mainly by implementing pertinent policies, regulations of the State Council and our provincial government and putting our efforts on improvement and systematization. According to the requirement of enlivening one-third of our enterprises first, we should select a batch of enterprises and study them one by one by adopting the individual-level responsibility system, e.g., thereby reducing or exempting their regulatory levies in a planned way, raising their depreciation rate and leaving most or the entirety of such depreciation funds to the enterprises themselves, solving the problem of random assignment of costs to or collection of levies from the enterprises, cleansing and rectifying the administrative companies and strengthening the management of their trades and improving their service operations, giving full scope to the role of core cities and strengthening macroeconomic control. Speaking from the standpoint of the enterprises, their sight must be turned inward to deepen their internal reform, strengthen their enterprise management, and enhance their enterprise capability of absorption and endurance. In order to realize the next year's targets for our endeavors in economic work, we must further do a good job in handling the relationship between macroeconomic control and microeconomic enlivening, speed and results, foodgrain production and diversification, increase in financial revenues and relaxation and enlivening, so as to achieve control without resulting in rigidity and vitality without causing disorder, and thereby maintain a definite speed of growth under the premise of improving economic results.

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## AGGREGATE ECONOMIC DATA

### HEILONGJIANG TOWNSHIP ENTERPRISES' POTENTIAL DISCUSSED

Beijing ZHONGGUO XIANGAHEN QIYE BAO in Chinese 7 Dec 85 p 4

[Report by Zhang Zhizhong [1728 3112 0022]: "Turning Strong Points in Resources into Strong Points in Products; Overall Output Value of Township and Town Enterprises of Heilongjiang Province Can Be Expected to Exceed 4 Billion Yuan This Year"]

[Text] Heilongjiang is a precious land; it has strong points of great advantage in its resources for the development of its township and town enterprises. The province has 130 million mu of arable land, which makes up 8.8 percent of the country's total. The production of soy beans, potatoes, flax, and sugar beets ranks first in the country. Heilongjiang is also the largest lumber production base of our country, with a total cumulation of more than 1.42 billion cubic meters, which makes up 15.3 percent of that of the whole country. Here are found indigenous products such as ginseng, deer horn, musk, acanthus, magnoliavine fruit, day lilies, edible fungi, mushrooms, and monkey's heads; wild grapes, heijialun, shandingzi, strawberries, malinguo and the like are all raw materials with a high nutritious value for brewing.

Heilongjiang Province also has very rich underground resources. Of the more than 50 mineral deposits here, the deposits of petroleum, coal, gold, copper, lead, zinc, and graphite all occupy an important status in the country.

Since the 3d Plenary Session of the 11th CPC Central Committee, the provincial party committee and provincial government have conscientiously sought to implement the principles, policies and directives of the party Central Committee and the State Council on the development of township and town enterprises by carrying out a series of new strategies of development and concrete, effective measures, and thereby made possible the manifestation of unprecedented development in its township and town enterprises, blazed a path of proceeding from reality and turning its strong points in resources into strong points in products and strong points in comprehensive economic results, and thus preliminarily forged a situation of the township and town enterprises marked by Heilongjiang's own characteristics. From 1979 to 1984, the number of the province's township and town enterprises increased from 23,000 to 109,000; their employed personnel increased from 487,000 to 817,000, making up 16.9 percent of the labor force in the countryside; their overall output value increased from 200 million yuan to 2.87 billion yuan, making up 23.7 percent



of the overall output value of agriculture; their overall income increased from 890 million yuan to 2.49 billion yuan, making up 26.1 percent of the overall income of the countryside; their submitted taxes increased from 50 million yuan to 110 million; and their realized profits increased from 140 million yuan to 240 million yuan. At the end of 1984, the net fixed assets of the township and town enterprises amounted to 1.23 billion yuan, plus more than 600 million yuan of self-owned floating capital.

During the past few years, a pattern of scientific research-type production management combined with the open type of township and town enterprise economic structure has been taking shape. Among the agricultural and sideline products there have appeared preliminarily the "five dragons" of the planting, processing and sales of flax, ginseng, heijialun, potatoes, and wild juicy fruit; this has started to present an "all dragons flying" situation. The province's township and town enterprise coal mines have developed to over 300, which in 1984 produced 7.52 million tons of raw coal, making up 45 percent of the local coal production; this year, it is estimated that they would produce 8.5 million tons of raw coal, to make up more than half of the local coal production. Rural gold mining, too, has achieved a yearly production of over 70,000 liang, with an output value exceeding 200 million yuan. Among the construction materials industries, the production of several major products of the township and town enterprises have all made up 50-70 percent and above of the province's total production. The province's township and town enterprises have already created more than 70 products judged to be superior by the ministry and by the province.

Since the beginning of this year, the principal responsible comrades of the provincial party committee and provincial government have repeatedly gone to other provinces and municipalities to study township and town enterprises, and they have also adopted some new measures to enable the speed of development of Heilongjiang Province's township and town enterprises to accelerate conspicuously, and their economic results to improve prominently, with the appearance of a momentum of all township-run (town), village-run, jointly-run and household-run enterprises making a go at the same time. Of these, township-run (town), enterprises have increased 22.4 percent over those of 1984; village-run ones have increased 18.5 percent; jointly-run and household-run ones have increased 2.2 times, already making up 7.7 percent of all households in the countryside. The lateral economic connections of township and town enterprises have also continued to develop, with more and more enterprises breaking through the traditional closed type of management, thereby embarking upon a course of opening up and enlivening, urban and rural integration, and integration of production and management with scientific research.

After the party's national conference of representatives, the Heilongjiang provincial party committee and provincial government as well as the township and town enterprise departments are now, according to the guiding principles and requirements put forward in the "Resolution of the CPC Central Committee on the Formulation of the Seventh 5-Year Plan for Our National Economy and Social Development," formulating the developmental strategies and concrete measures prescribed by the Seventh 5-Year Plan. This reporter has learned from the concerned departments that the overall output value of township and

town enterprises in Heilongjiang Province is expected to break through 4 billion yuan, scheduled to double that of 1980 by 1.3 times. In 1990, personnel engaged in the township and town enterprises will increase to 2 million, and by the end of the century, to 3 million. By that time, they will make up more than half of all laborers in the rural areas of the province, with the overall output value of the township and town enterprises making up 60 percent or more of the overall agricultural output value.

The strategic guiding ideology of Heilongjiang Province in the development of township and town enterprises is: to conscientiously implement the guiding principle determined by the party Central Committee on "active support, rational planning, correct guidance, and reinforced management" and proceed from the province's characteristics and strong points, establish a reasonable pattern from the reform of the economic structure and the readjustment of the industrial structure in the countryside, adhere to making "all 4 wheels" turn at the same time, extensively import technology, talents and capital and actively promoting technological progress, insist on the comprehensive management of agriculture, industry and commerce all at once and the overall development of all trades in the countryside, comprehensively exploit and utilize existing rich resources on the basis of steadily developing foodstuff production, endeavor to succeed within the shortest possible time in catching up with the advanced provinces and thereby entering into the ranks of the advanced throughout the country.

In order to realize this ideal, Heilongjiang Province has conscientiously implemented the spirit of the party's national conference of representatives, further promoted the experience of "one contract-out and three reforms," practice the policy of opening up in a comprehensive manner, actively carry out importing from without and linking up within, import "short-term, level, and quick" technologies and technologies that can reinforce their aftereffects, actively renovate and tap potentials, adopt new technologies and new techniques, and thereby endeavor to succeed in enabling the township and town enterprises to develop even more solidly.

The township and town enterprises of Heilongjiang Province have taken their stand in agriculture, relied on their rich resources, and achieved considerable development. Heilongjiang is willing to establish even broader economic links with both domestic and foreign concerns, to welcome domestic and foreign factories and businessmen to import technologies, equipment and capital to township and town enterprises in Heilongjiang Province and come to their localities to open up factories independently or jointly and launch various trades. Rural enterprises in Heilongjiang are willing to provide the cooperators with definite favorable conditions. To those who present policy proposals to Heilongjiang, rich rewards will be granted. To talents who are willing to come to settle down in Heilongjiang, preferential care will be rendered to them from all angles.

During his interviews, this reporter has become deeply attracted by the rich resources of Heilongjiang Province and affected by the enthusiasm of the cadres at all levels and vast ranks of the masses there in developing their township and town enterprises. It can be predicted that during the Seventh 5-Year Plan period or slightly thereafter, the township and town enterprises in Heilongjiang will march into the advanced ranks of the nation.

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CSO: 4006/527

## ECONOMIC MANAGEMENT

### REPORTAGE ON SHANGHAI-HUNAN LATERAL TIES TALKS

#### Leaders Hold Discussions

HK110437 Hangsha Hunan Provincial Service in Mandarin 2200 GMT 11 Jun 86

[Excerpts] Hunan's lateral economic ties with Shanghai should be built on the basis of mutual understanding and benefit, with each supplying what the other needs. In this way the scope of the ties will expand still more, contacts will be more frequent, and the results will be still more conspicuous. This was the common view of leaders of the Hunan provincial government economic and technological cooperation and of party and government leaders of Shanghai during their first round of talks on 11 June. The participants in the talks included Shanghai Mayor Jiang Zemin.

Mayor Jiang Zemin said: Hunan and Shanghai have made an excellent start as a result of 2 years of economic ties and cooperation. Both sides have sincere hopes regarding these talks. We should succeed in expanding the goals of the ties and cooperation. Cooperation projects already identified should be arranged as soon as possible. The two sides can hold further explorations regarding those projects not yet fully identified and launch them when the conditions are ripe.

Hunan Governor Xiong Qingquan reviewed the situation in ties and cooperation between Hunan and Shanghai since 1984. He said: By now, 13 Hunan prefectures and cities have established friendly ties with 11 Shanghai districts and 5 counties. Over 400 agreements have been signed. The economic results of many of these projects are very good.

There are very broad prospects for ties and cooperation between Hunan and Shanghai. Hunan has strong points in resources. Shanghai has strong points in talent, capital, technology, and so on. By combining these strong points, we will form a new organic strong point. We hope the two sides will expand their ties through a variety of channels and forms.

#### Forum Views Ties

HK150255 Changsha Hunan Provincial Service in Mandarin 2200 GMT 14 Jun 86

[Excerpts] The provincial economic and technological cooperation delegation now in Shanghai invited leaders of Shanghai Municipality and its districts and

counties and of units concerned to a forum on 14 June to discuss Hunan-Shanghai lateral economic ties.

Xiong Qingquan, leader of the Hunan delegation, warmly praised Shanghai's support for Hunan. He said: We must have a long-term viewpoint in making a success of cooperation ventures. Hunan has strong points in resources, but these can only be a potential and cannot be brought into full play unless they are integrated with Shanghai's strong points in talent, technology, management and so on. At the same time, cooperation projects must be based on actual needs and possibilities, and be run in accordance with the laws of the development of commodity economy.

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## ECONOMIC MANAGEMENT

### ZHENGZHOU CITY CPC COMMITTEE TO REVIEW PROGRESS OF REFORM

HK120315 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 11 Jun 86

[Excerpts] According to ZHENGZHOU WANBAO, in view of the questions of how to correctly view reform, consolidate and develop the fruits of reform, and carry out the reforms in greater depth, the Zhengzhou City CPC Committee has decided to spend some 2 months, beginning now, in carrying out a citywide review of the progress of reforms. The committee has explicitly pointed out that for party-member cadres, taking part in and protecting reform and standing in the forefront in reform means upholding party spirit.

The City CPC committee's main views on making a review a reform are: The reforms that arise in reform must be solved in the course of carrying out reform in depth; we cannot withdraw when we encounter difficulties, retreat when we encounter friction, and go back to the old road; the leaders must take a firm and clear-cut stand in supporting the reformers; those who have been bold in pioneering and have scored outstanding achievements should be rewarded or promoted as appropriate, without taking any notice of gossip; regarding reformers who have scored achievements and also made mistakes, we should under the premise of affirming their achievements, point out the problems and also help them to sum up experiences and lessons, to enable them to attain self-improvement and enhancement; the leaders must not take an equivocal attitude toward people who, swayed personal considerations, fabricate facts, make groundless accusations, and make things difficult for the reformers, but must investigate the truth, support what is right and dispel what is wrong.

We must resolutely practice the plant manager and director responsibility system and hand over to the managers all the powers over manpower, finances, and so on that they should hold. The departments in charge are not allowed to obstruct this work, and the enterprise CPC committees are not allowed to make things difficult. We must ensure that the plant managers can correctly exercise their policymaking and command powers in production operations and administrative work. We must unswervingly delegate to the enterprises all powers that should be delegated to them.

The key to delegating powers lies in streamlining the administration. Structural reform in the city organs must be carried out synchronously with the economic reforms. We must resolutely change the lack of coordination between administrative controls and the employment of people.

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16 July 1986

## ECONOMIC MANAGEMENT

## CHENGDU MAYOR SPEAKS ON NEXT STAGE OF URBAN REFORM

HK130229 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 12 Jun 86

[Excerpts] Chengdu Mayor Hu Maozhou stressed at a meeting on urban economic structural reform on 12 June that Chengdu must focus on two points for breakthroughs in the next stage of urban economic structural reforms: 1) Strengthen lateral economic ties and promote the vigorous development of production; 2) Perfect the system of city administration of counties and further promote the integration of urban and rural areas.

Comrade Hu Maozhou said: We must currently focus on solving problems of understanding. New systems cannot replace old ones all at once. Such a change is a gradual, not a sudden, change. We are currently in the period of making the transition from the old to the new systems. Both new and old systems are playing a role at present, but neither of them predominates. The contradictions in the complexity and the arduous nature of reform have therefore become extremely prominent. We must precisely create conditions to break through as soon as possible the difficulties involved in switching from the old to the new systems, and build a socialist economic system with boundless vitality and Chinese characteristics.

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ECONOMIC MANAGEMENT

SICHUAN'S YANG RUDAI LEADS INVESTIGATION

HK140641 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 13 Jun 86

[Excerpts] On 12 and 13 June, Provincial CPC Committee Secretary Yang Rudai led responsible comrades of provincial departments and bureaus concerned to do on-the-spot work at Deyang City and investigate and study problems of persevering in reform, speeding up economic development, and enlivening commodity circulation.

During his investigation, Comrade Yang Rudai fully affirmed the work in Deyang City. He said: In carrying out economic work, we must advocate the mental state of fearing no hardship and fatigue in devising every means to make the people rich. He expressed the hope that Deyang City will [word illegible] Sichuan's Wuxi and Suzhou. He told the responsible comrades of the city CPC committee and government: It is essential to carry out explorations in order to invigorate the economy. However, the cadres must be taught not to abuse their powers.

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## ECONOMIC MANAGEMENT

### FUJIAN'S CHEN GUANGYI DISCUSSES ENTERPRISE REFORM

OW150813 Fuzhou Fujian Provincial Service in Mandarin 1030 GMT 13 Jun 86

[Excerpts] Chen Guangyi, secretary of the provincial CPC Committee, made a speech, entitled "Energetically and Steadfastly Support the Reform of Enterprises in All Fields," at a meeting to deepen the reform, promote production, and stimulate the circulation, which ended in Fuzhou this afternoon.

Comrade Chen Guangyi said: While carrying out the policy of consolidating, assimilating, replenishing, and perfecting the reform this year, it is necessary to further adopt a series of reform measures and put them into practice simultaneously in order to improve and deepen the reform of enterprises. We should persist in, support, and promote the reform with our greatest determination and tenacity.

Comrade Chen Guangyi said: It is necessary, first of all, to persist in the reform, wherein lies the hope of China. Reform is the paramount political task of all party members.

Second, it is necessary to support the reform. All party committees and departments of comprehensive economic management should support the reform as the work in other fields. Provincial and city party committees should take a clearcut stand in supporting the reform of enterprises, and do everything possible to solve their problems. Furthermore, it is necessary to realistically deal with problems cropping up in reform. Reform is a systems engineering project and an experiment. As experiment always involves risk, we should never demand perfection in reform. So long as an enterprise does not seek selfish gains in the name of reform, its interests should be protected.

Third, it is necessary to promote reform. The guiding principle for reform this year is to consolidate, assimilate, replenish, and perfect it. This is a positive principle, and should not be interpreted as stopping everything to consolidate the reform. Still less, it should not be interpreted as re-exercising the control. Due to the protracted leftist influence, we were apt to do things uniformly and think in terms of absolutes. We should never make the same mistake. We should advocate steadfastness and overcome vicissitude.

It is necessary to boldly promote lateral economic cooperation among enterprises and break the barriers to enliven the circulation. It is also necessary to

improve the efficiency to promote the production. The situation in Fujian's industrial production in the first 5 months of this year does not allow us to be optimistic. Leaders at various levels and all enterprises should work conscientiously to promote production and improve efficiency through carrying out reform, and try their utmost to ensure fulfilling this year's planned tasks.

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ECONOMIC MANAGEMENT

GUANGXI'S CHEN HUIGUANG ADDRESSES ECONOMIC CONFERENCE

HK170129 Nanning Guangxi Regional Service in Mandarin 1000 GMT 16 Jun 86

[Excerpts] The 6-day regional economic work conference concluded yesterday. Regional CPC Committee Secretary Chen Huiguang delivered a summation report entitled "Persevere in, Support, and Protect Reform, and Speed up Guangxi's Economic Development."

Secretary Chen Huiguang stressed that persevering in, supporting, and protecting reform is a very important issue at present. It is also the key to whether Guangxi can promote its economy and achieve transformation as soon as possible. The aim of reform is to emancipate the productive forces, do a good job in construction, and enrich the country and the people. Persevering in reform is of all the greater practical importance for Guangxi, because our economy is rather backward and our development slow. At present we must do our work in accordance with the principle of consolidation, digestion, replenishment, and improvement put forward by the central authorities.

We must do our work creatively and be creative in implementing the central policies and principles. To succeed in this, we must step up investigation and study. We must also step up policy studies. We must take full advantage of the favorable conditions afforded by the central authorities' designation of Guangxi as belonging to east China in the economic sphere, and boldly refer to the experiences of east China provinces and municipalities in taking the lead in reform, opening up, and invigorating the economy.

On the question of how to support reform and act as promoters of reform, Chen Huiguang said: The party and government leading organs and functional departments must further embrace the concept of serving the grassroots, unite and cooperate, and support each other. They must create an excellent environment and atmosphere for reform in the grassroots units.

On the question of protecting reform, Chen Huiguang said: We must draw clear demarcation lines in policies. We must not confuse economic activities allowed by the policies with unhealthy trends. We must not confuse ordinary deviations from economic policies with economic crime. We must not confuse certain errors in reform and work with taking advantage of loopholes in reform to abuse one's powers. We must clearly distinguish and evaluate the merits and errors of reformers in a truth-seeking way. The correct attitude toward reformers' errors is to look at the main current and the overall situation, encourage them to explore, allow them to make mistakes, and provide correct guidance for them.

ECONOMIC MANAGEMENT

SICHUAN HOLDS WORK CONFERENCE ON INDUSTRIAL PRODUCTION

HK101354 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 9 Jun 86

[Excerpts] On the afternoon of 6 June, the Provincial People's Government held the third on-the-spot work conference in Chengdu City on industrial production, to listen to the reports of Zhu Yongming, vice mayor of Chengdu City, and (Bai Degao), chairman of the city economic commission, on the situation in Chengdu City in implementing the spirit of the conference on industrial production held by the Provincial Government in Chongqing and on arrangements for industrial production for June.

Regarding the problem of electric power now existing in industrial production, the work conference held: Arrangements for the supply of electric power in Chengdu City must be made according to a different situation so as to guarantee the supply of electricity for production.

Regarding the problem of electricity used in the production of grey cloth, the work conference held: In view of the fact that the textile industry is now developing relatively quickly and that grey cloth is in short supply, we must now guarantee the supply of electric power used in the production of grey cloth.

Regarding the problem of scrap iron and steel, the conference decided that the provincial planning and economic commissions, Chengdu City, and departments concerned should continue to organize an investigation group, which must investigate and analyze the reason for being unable to recover scrap steel in Chengdu City and then work out measures for solving the problem.

Vice Governor Ma Lin stressed at the conference: At present, it is necessary to pay attention to the implementation of the system of economic responsibility and the system of the factory director assuming sole responsibility within the enterprises, to persevere in reform, to strengthen management, to improve operations, and to take the road of expanded production.

At present, we must grasp both speed and economic results. We must attach importance to the quality of products and work hard to reduce the consumption of materials.

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## ECONOMIC MANAGEMENT

### GUIZHOU ON-THE-SPOT WORK GROUP HELPS GRASSROOTS

HK101538 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 9 Jun 86

[Excerpts] In the middle of May, the Provincial People's Government organized an on-the-spot work group, which has made a circuit of various places throughout the province to work there.

In only half a month's time, the group solved approximately 200 urgent problems which had affected production, thus vigorously promoting the development of current industrial and agricultural production in the whole province and further strengthening confidence in fulfilling the quotas for production of our province for this year.

Led by Vice Governor Zhang Shukui, the provincial government's on-the-spot work group was organized in the critical situation which our province's industrial and agricultural production was facing.

From 15 to 31 May, the on-the-spot work group successively went to places, including Duiyun, Kaili, Zunyi, and Anshun, and jointly held on-the-spot work conference respectively with the governments of the Giannan Autonomous Prefecture and Giandongnan Autonomous Prefecture; the commissioner's offices of Tongren, Zunyi, and Anshun Prefectures; and responsible comrades of China (Zhenhua) Electronics Industry Company and the Guizhou Administrative Bureau of the Ministry of Aviation Industry. In Anshun, the group jointly held meetings on arrangements for production respectively with the governments of the Gianxinan Autonomous Prefecture and Liupanshui City, the Bijie Commissioner's office, and the Guizhou Administrative Bureau of the Ministry of Astronautics. Of the 300 problems of production put forward by various quarters, they solved 198 problems locally. They further aroused the enthusiasm of all prefectures, autonomous prefectures, cities, and departments for doing a good job in production and enhanced their confidence in fulfilling this year's production quotas.

The on-the-spot work groups of the provincial government were able to score relatively great achievements in their work and there were three main reasons:

1. Proceeding from realities, a practical, crack, and vigorous work group was organized. The group comprises responsible comrades of the provincial planning commission, provincial economic commission, provincial commission of agricultural economics, finance department, banks, and petroleum company.

2. A guiding ideology of serving the grassroots and solving practical problems was established.

3. The group was bold in proceeding from realities and in creatively working. In the course of working, the group did not indiscriminately copy the experience of others and demand uniformity in everything. It humbly listened to the views of all places and in accordance with local conditions, formulated some new methods which suited our province's situation.

After listening to the report of the provincial government party group on the work of the on-the-spot work group, the provincial CPC committee held that the work of the on-the-spot work group of the provincial government was successful and demanded that all prefectures, autonomous prefectures, cities, and departments promptly popularize its method and experience, improve organs' work style, raise work efficiency, and serve the grassroots still better.

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ECONOMIC MANAGEMENT

ZENG SHENDA ON SHAANXI STATE-RUN ENTERPRISE DEFICITS

Xian SHAANXI RIBAO in Chinese 22 Nov 85 p 1

[Report by Wang Jianming [3769 1696 2494]: "Vice Provincial Governor Zeng Shenda [2582 1957 6671] Demands Various Areas and Various Departments: Earnestly Strengthen Leadership, Endeavor to Fulfill This Year's Task in Reversing Our Losses"]

[Text] Vice Governor Zeng Shenda pointed out at the recently convened briefing conference of some of our prefectures and municipalities, divisions and bureaus in charge, on their loss-reversing work: all prefectures and municipalities, divisions and bureaus in charge, must earnestly strengthen their leadership, adopt effective measures, grasp well their work in the final 2 months, and endeavor to fulfill this year's loss-reversing task. He commended units like the Xian Municipality, Weinan Prefecture, the province's national defense scientific research office, and the province's medical and pharmaceutical control bureau, whose loss-reversing work had been done fairly well and whose results had been quite conspicuous, and he also criticized Baoji Municipality, whose loss-reversing work had been carried out rather slowly.

Since the beginning of this year, the province's loss-reversing and profit-increasing work has achieved definite results. In the province's budget, losses by state-run industrial enterprises have gone down by 3 percent compared to those of the corresponding period last year; of the 22 enterprises which lost more than 200,000 yuan, 10 have already turned their losses into profits. But the gap shown by certain prefectures and municipalities remains considerable, which affects the completion of such loss-reversing work by the whole province.

Comrade Zeng Shenda pointed out, various prefectures, municipalities and departments in charge must establish a loss-reversing chief responsibility system, conduct an analysis of the losing enterprises one by one, guide them concretely, adopt effective measures, eliminate the major losing enterprises, and endeavor to realize the loss-reversing goals set at the beginning of the year. We must continue to carry out the policy of "providing no further subsidies to those enterprises which sustain excessive losses, and having them share a percentage of retained funds when they reduce their losses," i.e., when losses exceed those allowed by the established plan, the financial



departments would no longer give them any subsidies and would directly reduce and retain the percentage of profits for retention and other free funds by the departments in charge. In all cases of enterprises whose losses are caused by reason of management, rewards would be withheld from them, they would not be allowed to participate in wage reform, and they cannot exercise their right of having 3 percent of their staff promoted during the period of their losses; enterprises which fail to achieve their loss-reversing goals within the given time limit would have the floating wages, incumbent wages, or even basic wages of the leaders of these enterprises withheld, so that they would earnestly shoulder their economic responsibilities. With respect to the state of implementation regarding economic results on the part of enterprises whose profits are meager and whose profits or losses are marginal, the various prefectures, municipalities and departments in charge should also conduct an inspection and analysis in order to discover problems, solve them in time, and prevent the emergence of new losing enterprises.

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## ECONOMIC MANAGEMENT

### NEI MONGGOL PRIVATELY RAISED ENTERPRISE CAPITAL REPORTED

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 2 Nov 85 p 1

[Report by reporter Chen Jinlan [7115 6855 5695]: "Nei Monggol Raises 70 Million Yuan of Capital to Run Township Enterprises"]

[Text] The Nei Monggol Autonomous Region, at a time when township and town enterprises are developing with great momentum throughout the country, is now taking its first step, but the very first problem it has encountered is the tightening up of bank loans. Secretary of the autonomous region party committee Comrade Zhou Huitong [0719 1920 0681] has suggested: Let us proceed from the reality of Nei Monggol, rely on the strength of the masses themselves, and develop our township and town processing industries.

During the past few years, Nei Monggol's agriculture has developed and its animal husbandry has thrived, foodgrains have gained increases year after year, and animal commodity rates has soared continuously. All this has laid a fine foundation for our township and town enterprises. According to available statistics, since the beginning of this year funds raised by the masses themselves have reached over 79 million yuan, which are used on running processing industries and tertiary industries. There are the following good features in the enterprises run by the peasants and herdsmen in this self-reliant fashion:

1. They proceed from reality and select their projects accurately. The Guangming Village of Jianshe District, Hailar Municipality, Hulun Boir Meng ran 10 projects the first half of this year; of these 4 had their own resources and markets such as the lime plant, brick plant, fish farm, and the 50-ton refrigeration plant jointly run with the Boir Lake fish farm count 4; and 6 serve the livelihood of the local masses, these being the cover and clothing plant, restaurants, barber shops, and bathpools.

These 10 projects, because of the full investigation and clear identification of the resources and market requirements, have all fared well in their production and management.

2. Their speed of construction has been fast, and their results from investment have been equally fast. The Daxintala Township in Naiman Banner, Zhelimu Meng, while running a construction materials plant jointly with a

chemical plant in Tumen Municipality, Jilin Province, took only 50-odd days to produce painting products for interior and exterior walls from preparation to actual production. Because their quality is good, they are welcomed by the customers, so their supplies can hardly meet the demands.

3. They have adopted advanced techniques and hence produced advanced products. The Taipingdi district in the outskirts of Cifeng Municipality has imported this year from a scientific research unit in Shenyang a new technique which, after testing, helped produce cement-wooddust boards. This new product not only succeeded in making full use of branches and wastes from timber and lumber but also supplied a new type of construction material for the construction industry.

4. Their economic results are good. The Laofu Township on the outskirts of Cifeng Municipality is a rather difficult area; through approaches such as collective fund-raising and joint management, this year, it has gathered 300,000 yuan of capital to use on the transformation of old enterprises and the running of new ones, achieving very good social effects and enterprise results. The hydrofluoric acid plant invested 50,000 yuan, but has now been producing by wholesale quantities and is enjoying good sales; it will be able to recover all its investments within 1 year.

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CSO:4006/444

## ECONOMIC MANAGEMENT

### DISTRIBUTION OF TOWNSHIP ENTERPRISE PROFITS DISCUSSED

Beijing NONGMIN RIBAO in Chinese 26 Dec 85 p 2

[Article by Zong Jinyao [1350 6930 5069], of the Township and Town Enterprise Bureau, Ministry of Agriculture, Animal Husbandry and Fishery: "Suggestions on Doing a Good Job in Distributing Profits of Township and Town Enterprises"]

[Text] During the past few years, there has existed in the distribution of the profits of our township and town enterprises in general a problem of "two too-muchs and one too-little," that is, there having been too much submitted above and assigned below, too much welfare benefits for staff and workers, but too little subsidy to working capital. Such irrational phenomena, should we fail to change them by the adoption of active measures, are bound to seriously affect the existence and development of our township and town enterprises.

As the end of the year approaches, the distribution work concerning profits of our various township and town enterprises is just about to begin. In order to expand their own accumulation and enhance the ability of the township and town enterprises themselves to exist and develop, I hereby suggest that departments in charge of our township and town enterprises at all levels as well as our credit loan and financial departments strengthen their leadership and supervision and earnestly do a good job in grasping our tasks in distributing and using the profits of our township and town enterprises this year.

I. Help the enterprises correctly calculate their profits. They must approve the cost of their products and draw various fees and funds from them according to regulations. In the case of money from the sale of goods being not yet entered into their accounts, it shall not be included in the current year's sales income. They should really make sure their various revenues, expenditures, expenses, listed expenditures and retained amounts, and thereby calculate enterprise profits accordingly; when there are profits, so record them; when there are losses, do likewise.

II. Funds derived from tax reduction or exemption by the state should be directly diverted into funds for production and mainly used on subsidizing of shortage of working capital and renovation and transformation of equipment.

III. The total amount of enterprise profits should be subject to distribution as follows before taxation according to regulations: profit sharing by

investors from abroad, retention of enterprise funds, "retention of profits from the three kinds of waste," profits from exempted income tax, and other items distributed or retained according to permission by state regulations before taxation.

IV. Carry out the system of retention of profits from the enterprises. Such percentage of enterprises profits retained shall not be less than 60 percent in general; in the case of enterprises owing considerable debt, having a rather low level of free capital, run by collective capital composed of shares, and those newly established, more may be retained; profits from overfulfillment of plans should be left to the enterprises as much as possible.

V. There should be 60-70 percent of the percentage of profits retained by the enterprises used on subsidizing shortages of working capital and fixed assets. Expenditure respecting welfare of staff and workers, etc., should be kept under 30-40 percent [of such profits].

VI. After the relevant percentage is taken out from post-taxation enterprise profits, efforts should be made to draw funds for assisting development on the basis of 1 percent of the net profits, and submit them to the township and town enterprises' departments in charge for concentrated use; the rest should be submitted to the cooperative economic organs of the districts (townships) and villages (including the original production brigades).

VII. In the case of enterprises operated with capital from collective shares, their dividends should ordinarily not exceed 20 percent of the shares; if a given enterprise earns low profits or even sustains losses, only their interests may be guaranteed without distribution of dividends; otherwise, such losses shall be proportionately shouldered by the shareholders.

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16 July 1986

## ECONOMIC MANAGEMENT

## HUBEI TOWNSHIP ENTERPRISE SITUATION DISCUSSED

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 28 Dec 85 p 1

[Report by Ding Guiqiao [0002 6311 2890]: "Hubei Township and Town Enterprises During 6th 5-Year Plan--Gain Development for Themselves While Contributing to the State"]

[Text] There emerged during the 6th 5-Year Plan a fine situation among Hubei Province's township and town enterprises of sustained, coordinated and steady development.

According to available statistics, Hubei township and town enterprises during the 6th 5-Year Plan realized altogether 4.56 billion yuan of profits and taxes. Of these, tax payments to the state amounted to 1.4 billion yuan, equivalent to 19 times the capital with which the state supported the township and town enterprises. During the 5 years, funds used on capital construction, farmland, purchase of agricultural machinery, and support of poor brigades amounted to 1 billion yuan; that spent on enlarging reproduction of the enterprises amounted to 1.6 billion yuan; and those provided to welfare industries in the countryside amounted to 170 million yuan.

During the 6th 5-Year Plan Hubei township and town enterprises gradually broke through the old mode of dual-level management of enterprises in the countryside; there emerged a new situation in which all townships, villages, groups, and households chipped in, with all wheels turning at the same time. During those 5 years, the capital of enterprises cooperatively operated by peasants with their collective funds and run by family investment amounted to 1.5 billion yuan.

Meanwhile, the Hubei township and town enterprises broke through the constraints of the "three locally-operated" models and the small world of the economy of small farmers and marched toward the world. During the 6th 5-Year Plan, the province's main products for export included barite, marble, granite, hardware, silk carpets, engraved shells, and feather and velvet clothing. These products were sold to more than 40 countries and areas such as Japan, the United States, and those in West Europe, and Southeast Asia. During the 5 years, the output value of the province's export products amounted to 240 million yuan.

During the 6th 5-Year Plan, there emerged among Hubei's township and town enterprises a batch of fine-quality products. By the end of 1985, 158 varieties were appraised as provincial fine products, 60 appraised as provincial fine-quality products, and 18 products winning the fine-quality title by the ministry and the state.

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CSO: 4006/649

ECONOMIC MANAGEMENT

HOU JIE ON DEVELOPING HEILONGJIANG'S RURAL ENTERPRISES

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 6 Nov 85 p 1

[Article by staff reporter Wang Ying [3769 4481]: "Hou Jie, Governor of Heilongjiang Tells Staff Reporter: "We Must Base Ourselves on Local Characteristics in Developing Township and Town Enterprises and Require Speed under the Premise of Guaranteeing Quality and Results"]

[Text] When Hou Jie [0186 2212], governor of Heilongjiang received reporter Wang Ying, he said that in developing our township and town enterprises we must base ourselves on local characteristics and require the development of speed under the premise of guaranteeing quality and results.

Comrade Hou said, Heilongjiang Province is a foodgrain base of the state. In the past, the idea of singularly grasping foodgrain production was rather steadfast, and recognition of the great significance of developing township and town enterprises was quite slow; hence the first step was taken rather late. Since the 3d Plenary Session of the 11th CPC Central Committee, the pace has quickened, and it became even faster during the past couple of years. Last year, the total output value of the province's township and town enterprises amounted to 2.87 billion yuan; this year it is expected to reach 4 billion yuan. But, compared to other fraternal provinces and autonomous regions, the gaps are still quite great. In 1984 the total output value of Heilongjiang's township and town enterprises ranked 21st in the country. Evidently, the speed of the development of township and town enterprises in Heilongjiang Province has been not fast, but slow.

Comrade Hou Jie said, in Heilongjiang Province resources both above and below ground are rich; they possess the great potential to develop our township and town enterprises. In 1984 the province's foodgrain production already broke the threshold of 35 billion jin, thus achieving a low-level surplus. Domestic animals and fowl have been developed even faster; in the case of pigs and cows, they have already exceeded the best level in our history; the number of milk cows raised has reached more than 240,000 head, ranking first in the nation. Raw coal and crude oil, natural lumber and raw beans, etc., are all well known not only within the country but also reputable in the international market. After the joint production contract responsibility system was put into practice in the countryside, there has accumulated a great surplus in labor; in particular, because the winter in Heilongjiang is rather long, the vast ranks of the peasants have a half year's surplus labor time on their

hand. Should these considerable material resources and labor resources become fully exploited, and in the readjustment of the structure of our farming industries we could follow the policy of taking agriculture as our foundation and develop our agriculture, forestry, animal husbandry, sideline enterprises and fishery comprehensively, and thereby make arrangements for our large-scale agriculture, while we also shift in a planned way our surplus labor force and surplus labor time to the township and town enterprises, work on the processing of our agricultural and sideline products, actively develop small-scale mining industries and construction materials industries, then, the development of Heilongjiang's township and town enterprises would have a great future, indeed.

Comrade Hou Jie said, to seek truth from facts and carry out concrete analysis in the case of concrete problems is our party's ideological line and the guiding ideology by which we formulate our policies. On the basis of Heilongjiang Province's subjective and objective conditions, we are of the opinion that the speed for the development of our township and town enterprises should be faster. Of course, we should not compare blindly, and in development should pay attention to quality, pay attention to economic results and pay attention to the enduring capability of our society and simultaneously formulate our policies. In Heilongjiang Province, the investment loans the state has granted to our township and town enterprises, diversification and agricultural production respectively have not been very rational, as they are generally maintained at the ratio of 1:1:8. This way, loans for agricultural production are too much, which makes its production base rather fragile. We are planning to follow the ratio of 2:3:5 in order to have more investments and loans put into township and town enterprises, and thus do a good job in running these township and town enterprises and to make sure that they really yield economic results, so that we can draw a part from the profits of these township and town enterprises to support agricultural production and launch it in a benign circle and thereby create a situation in which our township and town enterprises are developed on the one hand and the foundation of our agricultural production is enabled to become stronger and stronger gradually on the other hand. For the sake of developing our township and town enterprises, policies in other respects must also be liberalized, and we must also firmly oppose the practice of demanding money from our township and town enterprises and not allow the burdens of these township and town enterprises to become too heavy.

Comrade Hou Jie finally said, it is pointed out in the Seventh 5-Year Plan put forward by the party Central Committee that "the development of our township and town enterprises is the inevitable path to revive our rural economy"; this is very correct. We must follow the direction pointed out by the party Central Committee, keep in line with Heilongjiang's reality, place the development of our township and town enterprises on an important position, and also continue to sum up our experience while making progress so as to blaze a path that both tallies with the spirit of the central authorities and possesses Heilongjiang's own characteristics.

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CS0: 4006/444

## ECONOMIC MANAGEMENT

### HUNAN ISSUES MEASURES ON INVIGORATING ENTERPRISES

HK110129 Changsha Hunan Provincial Service in Mandarin 2200 GMT 10 Jun 86

[Excerpts] According to HUNAN RIBAO, the provincial government recently issued specific regulations on further invigorating large and medium state-owned industrial enterprises.

The regulations state that these enterprises are to institute the plant manager responsibility system and the system of management of targets to be attained during a manager's term of office. Large enterprises should practice the system of graded division of powers over their workshops or branch plants under the unified leadership of the main plant, and delegate to them some production operational decisionmaking powers.

Under the premise of ensuring the completion of the state plans, the enterprises may develop diversification according to market needs and their own strong points. They may operate tertiary industry either wholly owned by themselves or as joint ventures with other units. They can extend their products and services to cover different areas, departments, and sectors.

Under the premise of fulfilling their mandatory allocated plans and achieving rational turnover of reserves, the enterprises can sell on the market at negotiated prices their surplus products and stockpiled materials that exceed their requirements. The enterprises are allowed to set their own prices, within the maximum state price limits, for industrial production materials that they sell themselves.

The increased profit resulting from technological transformations that the enterprises have carried out by using their retained profits is exempt from regulatory tax for 2 years.

Under the premise of ensuring the fulfillment of the plan for debt repayment, new enterprises can use 20 percent of their debt sum for workers' welfare and bonuses during the repayment period. A further 10 percent can be used as welfare funds when debt is repaid ahead of schedule.

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CSO: 4006/1114



## ECONOMIC MANAGEMENT

### QINGHAI'S AID FOR POOR AREAS REPORTED

Beijing RENMIN RIBAO in Chinese 13 Dec 85 p. 1

[Text] According to a report by the QINGHAI RIBAO: the Qinghai provincial party committee and provincial people's government recently decided that organs directly under the jurisdiction of the province should carry out the method of contracting out whole districts to help the poor in the poor areas. This was a measure to implement the guiding ideology put forward by the central authorities on how leading organs should serve the masses and serve the basic level and to strengthen and improve our countryside work in order to speed up our pace of controlling poverty and achieving prosperity.

Qinghai Province's work on designating experimental spots to contract out whole districts and help the poor areas has already begun in November. The 68 departments, commissions, divisions and bureaus under the direct jurisdiction of the province (including 2nd-level bureaus) have together contracted out 53 poor areas and 2 poor counties. There are also other poor districts which the various autonomous prefectures, prefectures, cities and counties are taking over to distribute these contracting-out tasks among themselves.

Up to 5 December, personnel transferred from the provincial CPPCC and 15 other units such as the provincial public security division, the heavy industries division, the agriculture and forestry division, the public health division, the statistics bureau and the planning commission have all under the leadership of cadres at the level of the departmental office and above arrived at the basic level to begin their work of investigation and study in the poor areas. The rest 53 departments, commissions, divisions and bureaus have also mostly made their various preparations to make it possible for them to go down there in a matter of days.

The main tasks of the cadres assigned to contract out whole districts and help the poor this time are: to propagate and implement the party's principles and policies; to help the poor districts do a good job in carrying out investigation and study, learn clearly about the local social and economic conditions and strong points in their natural resources, analyze the causes of their poverty, explore ways to control such poverty and achieve prosperity, and study and formulate plans for controlling such poverty and achieving prosperity as well as implementation plans for the fiscal year; to help the poor districts readjust the structure of their industries and develop their

commodity economy according to conditions of the local natural economy; to implement the policies and measures of the provincial party committee and provincial government on changing the outlook of the poor areas; to do a highly effective job in ideological and political work among the cadres and masses at the basic level, and handle as much as possible certain matters for the masses of the poor areas. They must strive hard to basically solve the clothing and food supply problems of the poor areas within 2 to 3 years, and within 5 years or so make it possible for the income of the masses of these poor areas to catch up with the level of the average income of the province's farming and cattle-raising people.

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CSO:4006/444

## ECONOMIC MANAGEMENT

### HEBEI'S XING CHONGZHI PRAISES MODEL TECHNICIAN

SK150720 Shijiazhoung HEBEI RIBAO in Chinese 21 May 86 pp 1, 2

[Speech by Xing Chongzhi at the commendation meeting in honor of Comrade Zheng Zongwu: "Wage Death-Defying Struggles and Keep Forging Ahead in Order to Score the First-Grade Achievement" -- date not given]

[Text] Comrades:

We have just heard a touching and encouraging report given by Comrade Zheng Zongwu, a Communist Party member and assistant of the Fenghuangling township forestry bureau in Pingquan County. His 20 years of frustrating experiences and his touching deeds of only seeking contributions, working hard, and of making the people happy provide us with a lively and profound lesson on ideals and purpose. According to the contributions scored by Comrade Zheng Zongwu to the party and the people and his model deeds, the provincial CPC Committee and the provincial People's Government have conferred on him the glorious title of outstanding Communist Party member, issued a circular to cite him for his meritorious deeds, and have given him a one-grade wage promotion. This fully indicates that the party and people have shown great concern for scientific and technological personnel who have made contributions to the program of building the four modernizations and have cherished and respected them. This also represents the honor that deserves to be granted to Comrade Zheng Zongwu. Here, on behalf of the provincial CPC Committee and the provincial People's Government, I would like to extend warm congratulations to Comrade Zheng Zongwu and hope that the broad masses of party members, cadres, and scientific and technological personnel throughout the province will learn from Comrade Zheng Zongwu, and will become true Communist Party members and revolutionary cadres cherished by the masses.

Comrade Zheng Zongwu is an ordinary scientific and technological personnel engaged in ordinary work. However, he has scored unusual achievements in his ordinary post and won the trust, love, and esteem of the masses. This has provided a question for us, which should be earnestly pondered, which is what attitude people, whether they are party members, cadres, or scientific and technological personnel, should adopt toward their work, their reputation and interest, their difficulties, and toward the people's interest. This represents a quite serious question with which each Communist Party member and cadre will confront, and to which each member and cadre will give an answer. In this regard, Comrade Zheng Zongwu has set an example for us with his concrete deeds.

Our comrades have their own work and undertakings. The fact whether they have truly and ardently cherished their professional work, whether they have integrated their practical activities closely with the ideals of communism, and whether they have had a strong dedication and a sense of responsibility represents an important indicator of whether they have high consciousness in ideology and politics and an inner factor and whether they have attempted to perform their duties satisfactorily and to do a good job in their professional work. Comrade Zheng Zongwu has engaged in forestry undertakings and ardently cherished his own work, even to the extent of being crazy about his job. In order to make a success in his work, he engaged in study and research with great eagerness; integrated his work with the task of helping the masses combat poverty, become wealthy, and remove the poor outlook of mountainous areas; and closely coordinated his work with the realization of communist ideals. He made unremitting efforts at all times to fulfill his work and undertakings. During the days in which he lost his job because of a framed-up charge, he also thought day and night of the waste mountains and hills in his hometown and bore in mind constantly the elders and fellow villagers of the poor areas.

After the 3d plenary Session of the 11th CPC Central Committee, he was rehabilitated by the Pingquan County CPC Committee, thus giving him an opportunity to display his ambitions. He resolutely organized and led the masses of his hometown in cultivating saplings, planting trees and developing the uncultivated hills. The comrades might think this over. Would Comrade Zheng Zongwu have done this if he did not have strong dedication to his work, a high sense of responsibility, and a firm conviction towards the party? Therefore, a person cannot do without ideals and faith because without them he will not have a soul, direction, or a driving force. In learning from Comrade Zheng Zongwu, we should emulate his spirit of being master of the state and deeply cherishing his work, his spirit of studying painstakingly, his party spirit of boundless devotion to the cause of the party and the people, and his dedication to performing his duty and creating first-grade achievements in his various work posts through realistic work.

As far as a revolutionary is concerned, whether he pursues personal fame, benefits, and positions or unconditionally serves the interests of the party and the people are a line of demarcation and a touchstone for distinguishing the two world outlooks. Pursuing fame and benefits and haggling over one's personal gains and losses are the manifestations of bourgeois decadent ideology, which is absolutely different from the ideology and aspirations of seeking benefits for the masses and the people on the part of Communist Party members. What is deserving of praise for Comrade Zheng Zongwu is that he has faithfully kept in mind the purpose of the party at all times and under any circumstances. He attached prime importance to the interests of the party and the people and never haggled over personal gains and losses. After the party rehabilitated him, he had every reason to demand something from the organization; however he did not do so. What was in his mind was that the losses of the party were greater than his, and that after returning to the embrace of his mother, he should repay his mother's concern with his actual deeds, and that what should he do to dedicate his wisdom and talents to improving the poverty in his hometown. Comrade Zheng Zongwu is an outstanding technical cadre of great expertise.

After his rehabilitation he served as a forestry assistant. He never haggled over his positions, whether high or low. He held that "serving as an assistant is all right provided that he can help his fellow villagers become rich." Afterward, he was dismissed from posts in a reorganization drive. At that time, if he were to engage in making himself prosperous with his specialized technology, the benefits for himself and his family would be imaginable. However, he declined the offer of better salary time and again, and unswervingly continued to help the people in his village embark on the road of prosperity.

Comrade Zheng Zongwu was happy from the bottom of his heart when he saw the people become prosperous and the changes in his hometown. He worked more energetically. In emulating Comrade Zheng Zongwu, we should emulate his workstyle of not seeking fame and benefits, and of working selflessly, his lofty character of sacrificing his personal interests for the people, his communist values of dedication and not asking for special privileges, and his wholehearted devotion to public duty. Through our strenuous efforts, the party's fine workstyle will be restored, and developed.

In the course of the four modernizations drive, all fronts will encounter some setbacks and difficulties. Whether a Communist Party member has retreated or adopted a dispirited and hopeless attitude in the face of difficulties and setbacks or whether he has advanced despite difficulties or has challenged difficulties in a death-defying and progressive spirit are the rigid tests for him in order to judge his party spirit and awareness, whether high or low. The past 20 years Comrade Zheng Zongwu has suffered from persecution politically, thus greatly affecting the livelihood of his family. It is hard for an ordinary person to bear such sufferings. Comrade Zheng Zongwu has endured them with the selfless spirit of a revolutionary. His indomitable will come from his strong party spirit and the revolutionary optimistic spirit of a Communist Party member. Today, in our journey towards reform and the four modernizations, we will also come across difficulties and setbacks of one kind or another, and some unhappy events for ourselves or our families. However, so long as we keep on fighting in spite of all setbacks, reinforce our confidence, have lofty ideals, and have the spirit of being ready to give our lives to the people, just like Comrade Zheng Zongwu did, we will certainly be able to conquer all difficulties and obstructions, and constantly push forward the causes of the party and the people.

Wholeheartedly serving the people is the sole purpose of our party. The interests of the people are the interests of the party. The Communist Party should work for the interests of the people, should represent the people in everything, and should do everything for the people. Offering or asking for something, and serving as the people's public servant or acting like an overlord when approaching the interests of the people will be a fundamental criterion for distinguishing a proletarian political party from a bourgeois political party. Comrade Zheng Zongwu has regarded himself as the son of the people and as the public servant of the masses, and has always borne in mind the people's interests. To help the masses become prosperous and to change the poverty of the mountainous areas, he has gone to the places where he is needed and has engaged in what the masses need. He has also been good at applying party policies to teach and mobilize the masses. This is a noble moral character all Communist Party members, revolutionary cadres, and scientific and technological workers should have.



At present many localities, in particular some people in the highland and border mountainous areas, have not yet extricated themselves from poverty. Helping the people in these localities extricate themselves from poverty and become prosperous is an unshirkable duty facing the vast number of party members, cadres, and scientific and technological personnel. During his inspection tour of our province's Taihang Shan area, Comrade Hu Yaobang pointed out: In supporting poverty-stricken households, we should mainly depend on the further expansion of production channels, and should send them technologies, which are most important, information, and funds. The vast number of party members, cadres, scientific and technological workers, in particular the scientific and technological worker who directly serve agriculture, forestry, animal husbandry, sideline production, and fishery should all take Comrade Zheng Zongwu as an example, and should consciously go to the poverty-stricken areas to explain policies for the peasants, to send technologies to the peasants, and to disseminate scientific and technological knowledge among the peasants. They should combine the dissemination of policies with training on technologies, should disseminate experiences on becoming prosperous, should help the masses in making plans, and should dedicate their intelligence and wisdom to the people so as to enable still more of the masses to become prosperous.

Comrade Zheng Zongwu is an outstanding intellectual. His rough experiences have also set forth an extremely serious issue to leaders at all levels, that is, how to treat knowledge and talented persons. It should be noted that we have already scored great achievements in this regard after the work of setting wrong things right and the implementation of policies on use of intellectuals. However, the cases of not respecting, not cherishing, and, worse still, excluding, oppressing, and striking at talented people have not been stamped out in our province. Some places have not implemented the policies on use of intellectuals thus far. All localities, departments, and units should conscientiously investigate themselves on whether or not there are the cases of stifling and oppressing real talent. It is hoped that leaders at all levels will conscientiously grasp the implementation of the party's policy on intellectuals with a high sense of responsibility and urgency and in line with the spirit of being highly responsible for the party and the people. They should also sincerely and actually cherish and cultivate real talents, conscientiously look for real talents, reasonably use the talents, pay high attention to the livelihood of talents, create a fine work environment for talents, resolutely struggle against the phenomenon of oppressing and striking at talented persons, and make great efforts to mobilize the initiative of the vast number of intellectuals.

Through learning from Comrade Zheng Zongwu, the people throughout the province, from top to bottom, should unite as one, and work hard for the fundamental improvement in the province's party style and social conduct, for the realization of the Seventh 5-Year Plan, and for the comprehensive and rapid development of various items of our work!

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CSO: 4006/1114

INDUSTRY

UPGRADING OF ANSHAN STEEL WORKS TO CONTINUE

OW171420 Beijing XINHUA in English 1400 GMT 17 Jun 86

[Text] Shenyang, June 17 (XINHUA)--The chief engineer of China's biggest steel producing plant has promised that the Anshan Iron and Steel Company will retain its leading position through a program of overall technological transformation to last until 1990.

Long Chunman told XINHUA that the company will produce 8 million tons of steel by 1990--14 percent of the planned national total output. In the same period, steel varieties, especially the high-grade ones which are in short supply, will be increased markedly and half of the rolled steel products will reach international standards.

The overall technological transformation in the 1986-90 period will add a production capacity of 1 million tons of steel, he said.

The biggest steel producer among the 10 major metallurgical enterprises in China produced 7 million tons of steel last year, when China's total steel output came to 46.7 million tons.

Long, 52, said that the overall technological transformation is an important step in the development of China's metallurgical industry.

Inspecting the 70-year-old enterprise in 1984, Premier Zhao Ziyang encouraged officials and workers of the Anshan Iron and Steel Company to reform the management and accelerate technological transformation.

The state invested 884 million yuan in 133 projects for technical transformation in the company from 1981 to 1985.

The company, still confronted with out-dated equipment, backward technology and irrational energy composition, plans to streamline all major production processes, including computer control and management.

It has imported 20 advanced-technology facilities from Federal Germany, Japan, the United States and a dozen other countries, and the major production facilities will soon reach the advanced international level, he said.

The company has sent 40 technicians abroad to study the imported technology and computer-aided management.

Long said that all plants and workshops under the company are training workers, while 3,700 graduates from college and technical schools are entering the company each year.

Now, 42,000 engineers and workers are undertaking the technological transformation from the mining and sintering to the melting and rolling processes, while the enterprise does not reduce its production.

The company is enabled to completely supply itself with iron ores by the newly-built four mines.

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CS0: 4020/347

## INDUSTRY

### OFFICIAL DISCUSSES REFRIGERATOR PRODUCTION

HK100821 Beijing CHINA DAILY in English 10 Jun 86 p 2

[By Liu Hong]

[Text] The refrigerator industry is enjoying a cool success story as refrigerators rise to the top of family shopping lists. This year the country plans to manufacture 2 million fridges, a 43 percent rise over 1985, according to a Ministry of Light Industry official.

In the first quarter of this year, some 452,000 refrigerators were made and marketed, 22.6 percent of the planned annual output, said Yu Jianping, an official of the Ministry's Household Electric Appliances Bureau.

A survey showed that for every 100 families with average incomes or above, there were 6.9 refrigerators.

The total output last year was 1.4 million, seven times the 1983 level. In addition, a large number of foreign fridges have been imported to meet the growing consumer demand. However, there is still a shortage and department stores have to scramble for supplies, Yu said.

China now has 42 refrigerator factories. Many of them are dependent on imported components, including the Guangzhou and Suzhou factories that produce the country's most popular brands--Wanbao and Xiangxuehai. Some are merely assembly shops for foreign products.

But Beijing Refrigerator Factory is an exception. It manufactures every part of its Snowflake refrigerators. Founded in 1952, it is the oldest fridge factory in China. Its products once accounted for 80 percent of fridges sold around the country. Last year it turned out 160,000 fridges, a four-fold increase over 1980.

However, in the past 2 years, the factory has faced fierce competition and its share of the market has shrunk to only 10 percent. But its strategy of investing heavily in advanced foreign technology rather than importing components to upgrade its products seems to be helping it recover its lost market.

Since the state has cut back foreign exchange spending on consumer imports this year, many fridge factories that rely on foreign parts are experiencing material shortages. Economic information has reported that some factories in Shanghai could not fulfill their production quotas because they could not get enough imported parts. The journal predicted that the shortage of fridges in Shanghai would be acute this summer.

The refrigerator industry is a fledgling industry in China though it has passed its prime in the West," [no opening quotes, as published] said Zheng Wangchan, director of Beijing refrigerator factory. "We cannot develop our own industry if we are only content with assembling foreign-made components."

His factory in the past 3 years imported technology and equipment to build production lines for five key refrigerator components: compressors, thermostats, radiators, evaporators and filters.

To increase competitiveness, the factory is offering a double-door model this year and a triple-door model is expected to pass an appraisal this month.

Yu Jianping, of the Ministry of Light Industry, estimated the country's annual fridge production would reach 13 million by 1990 when all imported production lines were in operation.

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CSO: 4020/347



## INDUSTRY

### INDUSTRIES TACKLE TECHNICIAN SHORTAGES

HK120740 Beijing CHINA DAILY in English 12 Jun 86 p 1

[By staff reporter Zhu Ling]

[Text] Two major industries are tackling the nationwide shortage of skilled technicians by investing a combined 1 billion yuan (\$312.5 million) in training over the next 5 years.

The petroleum industry plans to train an extra 100,000 technicians and administrative personnel, a meeting at the Daqing Oilfield was told this week, raising the proportion of technical personnel from 14 percent to 20 percent.

And the machine-building industry is aiming to expand its force of technicians from the current 6 percent to 10 percent of the total staff.

The Petroleum Industry Ministry plans to allocate 100 million yuan annually during the next 5 years to improve its 1,300 training establishments, in addition to funds to be used by oilfields for education.

The machine-building industry's programme involves setting up new training centres and management training bases, increasing the teaching staff, inviting foreign experts to lecture and updating existing schools and universities under the Ministry of Machine-Building Industry.

An official of the Ministry of Machine-Building Industry told CHINA DAILY yesterday that an investment of 550 million yuan is expected to be spent on the programme.

At the moment, there is a shortage of senior technical staff with advanced skills in the industry, which makes up 25 percent of the country's total industry in terms of assets, workforce, output value and profits.

It is estimated that about 77 percent of the present senior staff will have reached retirement age by 1990, he said. The situation is even worse with managerial personnel, whose number is seriously short of the industry's needs.

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## INDUSTRY

### BRIEFS

**LIAONING INDUSTRIAL MODERNIZATION**--Shenyang, June 13 (XINHUA)--The governments and Liaoning authorities will spend 18.7 billion yuan on modernizing the province's factories over the next 5 years, a provincial official said here today. This is 64 percent more than the sum spent on industrial renovation in Liaoning over the past 5 years. The modernization program will concentrate on enterprises connected with energy production, raw materials, machine-building, electronics and textiles. The official added that Liaoning also planned to raise U.S. \$2.2 billion (7.04 billion yuan) over the next 5 years to modernize its industry. [Text] [Beijing XINHUA in English 0649 GMT 13 Jun 86 OW] /8918

**INSPECTION ON INDUSTRIAL SAFETY**--Beijing, May 22 (XINHUA)--Industrial injuries, traffic accidents and the incidents of occupational diseases are too many in China, according to a national inspection carried out this year. The inspection also indicated the death rate in industrial accidents was high during the first quarter of this year. The State Commission for Industrial Safety organized six teams for inspection in 18 provinces, municipalities and autonomous regions. Zhang Jinfu, director of the National Commission and also a state councillor, called on the enterprises throughout the country to enhance workplace safety. He also set forth the idea of using laws, regulations and education to help the workers strengthen their sense of safety. All the departments concerned must fulfill their duty earnestly and establish a responsibility system immediately, he said. The inspectors attributed the accidents to lack of effective measures and the violation of production and traffic regulations. The inspectors also found some advanced enterprises, including the Shanghai Nanyang Electrical Machinery Plant which had had no accidental deaths for 7 years. A chemical factory in Shandong Province had seen no sufferers of occupational diseases for 13 years. The commission urged all enterprises to learn from advanced experience and make their own progress. [Text] [Beijing XINHUA in English 1515 GMT 22 May 86 OW] /8918

**EXPORT PRODUCTION SUPPORT**--Beijing, May 26 (XINHUA)--The Ministry of Light Industry will give extra support this year to 16 state-owned enterprises in order to boost export production, the ECONOMIC DAILY reported today. Selection of the enterprises means they will be eligible for special technical and financial aid, the paper said. The 16 enterprises are located in the Shanghai and Tianjin areas as well as in the provinces of Guangdong, Jiangxi and Shandong. Their products include bicycles, sewing machines, clocks, watches, domestic

electrical appliances and tableware. Altogether, last year the 16 exported goods worth U.S. \$118 million. [Text] [Beijing XINHUA in English 0534 GMT 26 May 86 OW] /8918

STEEL OUTPUT GROWTH--Steel output reached 21.2 million tons in the first 5 months of this year, 10.5 percent more than in the same period of last year, according to the Ministry of Metallurgical Industry. The increase was higher than for the country's industry as a whole, a ministry official said. During the period, 16.8 million tons of rolled steel, which is in short supply, was produced--an increase of 9.6 percent. Almost 20 million tons of pig iron was turned out; 13.8 percent more than in the same period of last year. The official said that Baoshan Steelworks in Shanghai, was responsible for the increase as it went into production last September. It has a daily output of 6,000 tons of steel and 7,000 tons of pig iron. China produced 46.7 million tons of steel last year. The goal for this year is 49 million tons and 44.8 million tons of iron. Officials of the metallurgical industry said they were optimistic the goal could be met. [Text] [Beijing CHINA DAILY in English 13 Jun 86 p 2 HK] /8918

LIAONING BRAIN TRUSTS--Shenyang, June 17 (XINHUA)--The Metallurgical Industry Ministry planned to import a pipeline for transporting limestone for the Benxi Iron and Steel Company until the company's brain trust vetoed the suggestion as uneconomical. As a result, the company avoided a loss of one million yuan, said local officials. At present, 644 big and medium-sized enterprises in Liaoning have established such panels of advisors--scientific and technological experts totaling some 150,000. The Dalian Shipyard used to entrust a Japanese enterprise with working out optimum calculating methods and programs, but with the help of its brain trust the shipyard developed a unique calculating method which has been recognized by Lloyd's of London. In recent years, the advisory panels in Liaoning, one of China's most advanced heavy industry bases, have appraised 1,500 projects, solved 4,700 technological problems and offered 10,000 consultancy services, which yielded economic returns worth 2,080 million yuan. [Text] [Beijing XINHUA in English 1457 GMT 17 Jun 86 OW] /8918

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## SPECIAL ECONOMIC ZONES

### PRICE REFORM IN SPECIAL ECONOMIC ZONES

HK190858 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 86 pp 55-59

[Article by Chen Zhaobin [7715 5128 2430] of the Jinan University Economic Research Center: "The Market Model and Price Reform in Special Economic Zones" -- Written in January 1986]

[Text] The economic conditions of the special economic zones require that the mission of the markets of the special economic zones be different from the markets in the mainland. Enterprises of "three different types of capital" (joint venture, cooperation, and sole capital) take precedence in the economy of the special economic zones, and commodity production and circulation in the special economic zones are mainly regulated by the market mechanism. Exports account for the major proportion of products produced in the special economic zones, a considerable amount of the means of production and means of living needed in the special economic zones must be imported. Therefore, the market must sensitively reflect the supply and demand situation of the international market and the prices. Prices in the special economic zones must also have a high degree of flexibility and adaptability in the course of playing their role in market regulation and under the circumstance of being directly involved in competition with the international market. All this proves that the market model in the special economic zones is very much different from the general markets in the mainland, the role of prices is also different in the special economic zones from that in the mainland, and that there must be special demands in the price reform. What are, in fact, the characteristics of the markets in the special economic zones and what model has been formed? How should the price reform be carried out in the special economic zones in order to suit the demands for building these zones? This is an important theoretical question which merits profound study.

#### 1. The Characteristics and Contradictions of Market and Price Movements in the Shenzhen Special Economic Zone

Since the establishment of the special economic zones, great changes have occurred in the market of the Shenzhen special economic zone.

1. The market has changed from a closed model to one which extends outside.

Although Shenzhen borders Hong Kong, it did not have much economic relations with Hong Kong in the past, the standard of economic development was low and market circulation was in a closed and stagnant state. Since the establishment of the special economic zones, economic and trade relations with Hong Kong have been greatly developed, the volume of export trade has been increased by 27 times. Import trade has also been greatly developed and even exceeded the export trade. This has generally reflected that Shenzhen has been preliminarily transformed into an important foreign trade center and a "fore-window" to communicate with Hong Kong, possessing the characteristics of extending outside. This only indicates that Shenzhen has increased its capacity in extending outward and does not mean that the market has turned into an "extensive" one. We also need to realize that there are big deficits between import and export trade in the initial stage of transition which need to be rectified in the future. In view of the trend of economic development of the special economic zones, this kind of deficit will be gradually reduced in the future; besides imports which have been appropriately controlled, the export volume is increasing steadily. Besides, the development of tourism, catering trade and services trade and their capacity of making more foreign exchange profits also indicate that the market of the special economic zones possesses the characteristic of extending outward. They all reflect a considerable degree of extensiveness in the course of their business activities and have become an important component which reflects the situation of the market of the special economic zones.

2. The acute increase of the capacity of the market speeds up the fast development of commerce, tourism, catering trade, finance and the services trade.

The original capacity of Shenzhen market was very small; the social commodity retail volume was only 120 million yuan in 1978. However, this reached 230 million yuan in 1985. The acute increase of the market capacity has enabled the emergence of a new batch of modern shopping arcades, restaurants, hotels and various sizes of shops in Shenzhen. This has also speeded up the extension of the marketing and sales channels and the circulation reforms, enabling Shenzhen to gradually develop from a rural market to a more developed shopping center. This is another great change in the features of the market. This change also suits the demand for improving the investment environment of the special economic zones.

3. The role of market mechanism has been expanded, free prices have gradually occupied a dominant position.

At present, except for the charges of railway, aviation, sea transportation, post and telecommunications, water, electricity, house rentals, medical treatment, and public transportation within Shenzhen which are to be made in accordance with state regulations, and floating prices which are allowed in accordance with the extent approved by the state for iron and steel



materials, cement, grain, oil, pork, gas, coal, petroleum, color television, all other products are allowed to adopt the form of free prices, whether they are prices fixed by the enterprises themselves or trade fair prices. The mechanism of market prices is now playing a more extensive role in regulation than in the past. The flexibility of supply and demand and the products' competitiveness have been greatly improved.

The above great changes mark the development of the building of the special economic zones. However, the changes in the market of the special economic zones are still in a transitional stage, and there are still prominent contradictions in the areas of market and price.

1. Economic and trade activists which extend outside face many difficulties due to certain restrictions.

As far as imports and exports are concerned, Shenzhen enjoys the superiority of neighboring Hong Kong, and it gets better economic results than the mainland especially in the export of fresh and living products. However, it faces certain inappropriate restrictions of export quotas. The vegetable export quota in the latter half of 1985 was 120 tons per day, about 30 tons less than the daily quota of May and June. In accordance with this quota, the total annual export would only be around 50,000 tons, accounting for only 28 percent of the output. The quota for pond-bred fish was only 12 tons per day, and each mu of fish pond in Shenzhen could only be allocated a very small percentage. At the same time, products which are given permits are consistently increasing. All this weakens, to a certain extent, the capacity of the special economic zones in extending outward.

2. Tightness of money in the market, weakening of foreign purchasing power, relapsed commercial business, tourism, catering trade and the services trade and overstocking of products which have been blindly procured in the past have cast a dim shadow on the market.

Between the last quarter of 1984 and early 1985, various banks competed in giving loans and many enterprises also competed in promoting projects. This led to an "overheated" market and inflation of certain prices. Credits were more tightly controlled afterwards so that money was tight in the market, the loan difference of Shenzhen was increased by nearly 150 percent between the end of 1984 to early 1985. A large amount of capital was stuck in capital investment, some enterprises were unable to pay for the construction projects and certain capital construction projects were unable to be continued due to lack of capital.

Weakening of the foreign purchasing power was also obvious since the latter half of 1985. The number of tourists to Shenzhen has greatly dropped, the rate of occupied rooms was below 50 percent from January to August 1985. The business of the shopping arcades and restaurants

has also dropped. The number of empty passenger seats of various transportation vehicles in Shenzhen became greater due to a reduction in tourists. This is contradictory to the "overheated" situation at the earlier stage.

Another important question in the market activities is that there is overstocking of products which have been blindly procured in the past, this has seriously affected the circulation of capital and caused great difficulties to the enterprises concerned. For instance, about 3 million electronic calculators and 10 million pens have been accumulated. Several tons of steel materials have also been accumulated due to difficulties in raising funds for capital construction.

There are several factors accounting for the drop of tourists and the weakening of the purchasing power. We should pay attention to the following:

(1) The market in the special economic zones mainly sells foreign goods which are not attractive at all to the tourists; and as far as the tourists from the mainland are concerned, most of the prices of the imported goods are far too expensive which also become unattractive to them. (2) the charges in the restaurants and hotels in the special economic zones are also too high, in some cases, the prices are even higher than those in Hong Kong, and this certainly hinders business. (3) since our country has opened up 15 coastal cities and Hainan Island and 5 open economic zones in the Pearl River delta, the area for importing foreign capital and technology has been extended. Thus, the number of people coming to Shenzhen for business consultations has dropped accordingly.

3. Counter-movement of the price differences, and the co-existence of the three currencies and three prices affect the regulatory role of the prices.

Shenzhen is the meeting point of the Hong Kong market and the mainland market and is where price differences between these two areas are found. In the past, due to the fact that prices of industrial products were cheaper in Shenzhen than in the mainland, many businessmen were attracted to procure them in Shenzhen. However, a new situation has appeared recently: first there was a reverse trend of the prices of the industrial products which had gone up due to multiple speculation, and on the other hand, due to sufficient purchase of such items inside the mainland and expanded local supply, the prices have dropped. Thus, the prices of certain products in Shenzhen became even higher than inside the mainland, and this certainly affected the normal circulation of commodities. Second, due to blind import of products at the preceding stage, foreign currencies were badly demanded at very high prices, and this caused an acute increase in the free exchange rate of the foreign currencies, irrationally increasing the production cost of imports and increasing the marketing prices. This is an important factor accounting for the weakening of the purchasing power in Shenzhen. Third, charges in the

hotels, restaurants and for other services are too high and even exceed the standard in Hong Kong. Such a standard also reflects the counter-regulation and cause a relapse in exchange and business activities in the market. We must pay sufficient attention to this.

The co-existence of three currencies and three prices in Shenzhen has remained a problem since the establishment of the special economic zones. The present situation is that Renminbi is gaining less and less popularity which indicates that the price reform based on Renminbi will face great constraints, and there is a big distance in achieving the goal of the price reform and establishing a unified price regulation system.

The general growth and decline of the three currencies in the circulation structure over the last years is as follows:

| <u>Year</u> | <u>Renminbi</u> | <u>Foreign Exchange<br/>Coupon</u> | <u>Hong Kong<br/>Dollar</u> |
|-------------|-----------------|------------------------------------|-----------------------------|
| 1981        | 75 percent      | 20 percent                         | 5 percent                   |
| 1982        | 65 percent      | 22 percent                         | 13 percent                  |
| 1983        | 53 percent      | 16 percent                         | 31 percent                  |
| 1984        | 46 percent      | 9 percent                          | 45 percent                  |

We can see from the table that the Hong Kong dollar has become more and more popular and that the popularity of Renminbi is decreasing. This trend is more obvious if calculated in accordance with the free exchange rate.

The co-existence of three currencies is an abnormal phenomenon which is inevitable for a certain period in the special economic zones and which cannot be changed by means of administrative measures. However, we must see that this abnormal trend increases price confusion and thus, we must strive to eliminate it by means of financial and monetary policies. At present, certain shops adopt the method of offering prices in Renminbi for products which are presumably to be sold in Hong Kong dollars, but the standard of calculation varies from shop to shop and in most cases, it is much higher than the exchange rate. This reflects the urgency in reforming the currency.

More flexibility has been allowed in the recent years with regard to the portion of prices calculated in Renminbi. However, this reform is far from being consolidated and there is certain confusion: the standard of price varies tremendously, the social retail price index increased by 2 digits in 1985 when compared to 1984 and the fair trade prices were also increased by over 10 percent. There are also phenomena of indiscriminate charges and price increases as far as certain necessities for the people's daily living are concerned.

The above questions greatly affect the further development of the special economic zones, affect the capacity of the special economic zones in making more foreign exchange profits and in completing the change of "centering on extending outside" in the marketing and the sale structure of the products produced by the special economic zones, and affect the efforts of these areas in "absorbing foreign materials and linking the mainland." We must basically specify the market model of the special economic zones, actively create conditions and speed up reforms in order to solve these problems.

## II. The Market Model of the Special Economic Zones and The Conditions For Achieving The Changes

The market of the special economic zones should achieve three changes in accordance with the economic development of the special economic zones, that is to change from a closed market to an open market which "centers on extending outside," to change from a monopolized market to a highly competitive market; to change from the form of product economy to a modern market which possesses a perfect market system. This means that the target market model of the special economic zone is an open market which "centers on extending outside" and which possesses a modern market system to launch competition.

The open market which "centers on extending outside" demanded there should be one which opens both to the mainland and outside but focuses on extending outside. This implies that the market model in the special economic zone is not only "extending outward," but that it also extends toward the mainland. The Shenzhen special economic zone undertakes the important task of giving play to "two spheres," "extending outside" does not eliminate "extending inward," and they should supplement each other. The market of the special economic zone should be based on the mainland market, and by means of "linking the mainland," carrying out trade with the mainland and exchanging technological information in order to strengthen its radiative role. Even the adoption of the management line (the line separating the special economic zones from the non-special economic zones), does not imply an end to such a relationship. The establishment of an open market which "centers on extending outside" in the special economic zone suits reality to a considerable extent. However, this change is not completed yet. For instance, local sale and the sale of products on the mainland still occupy a large proportion of the products of the special economic zones, and there are still great constraints and restrictions in the foreign economic and trade activities and the foreign commercial channels are not clear yet.

A competitive market is a prerequisite for launching the role of market regulation. Competition has appeared to a certain extent in the Shenzhen special economic zone; some shops, hotels and restaurants have started competition both in the management policy and the prices. The open tender for the construction business is a kind of competition.



However, the high charges and high prices of products are mostly related with monopoly and this reflects inadequate competition.

The market model of the special economic zone must also incorporate the demand for a modern market system. The market system in Shenzhen has not been completely formed yet. In order to effectively expand foreign economic relations in future and maintain ties with the highly developed market in Hong Kong, we must build up markets for all trades such as the commodity trade market, the foreign exchange market, the insurance market, the technological market, communications market and shares market; only by building a perfect market system and enabling the market in the special economic zone to form a multi-aspect structure can we really cope with the needs of absorbing foreign capital and advanced foreign technology. There are still big distances to be covered in these areas.

In order to achieve the change of the above-mentioned market model, we must create a series of conditions: 1. we must insist and implement the open policy and the special policies for the special economic zones and in particular, implement Comrade Deng Xiaoping's guiding ideology of "not exercising control but allowing flexibility." Various departments must give consideration to the special conditions of the special economic zones in the course of formulating regulations and must not do things in a rigid way. 2. in order to set up a dynamic modern market system, we must push forward the complete set of reforms in an overall way. We must, in particular, speed up the reform of the financial system. 3. we must form a buyer's market with a high degree of adaptability, and give normal play to the regulatory role of the prices. 4. we must use the management line and the full opening of the market of the special economic zones. The future implementation of the special policies in the Shenzhen special economic zone demands that we make full use of the management line between the special economic zone and the area of 84 kilometers behind it in order to effectively prevent smuggling activities and maintain normal order inside and outside the special economic zone.

### III. The Price Reform in the Economic Zone and the Utilization of Price Mechanism

The price system of the market in the special economic zone.

The price system of the special economic zones should be composed of two big categories. First, the controlled prices which included: (1) prices and charges for railway transportation, post and telecommunications and so on which are fixed and managed by the central and the provincial authorities, the prices and charges of public utilities inside the cities which are controlled by the government of the special economic zones; (2) floating prices which are adopted in accordance with the approved extent. Second, free prices which include: (1) prices fixed by the enterprises and the prices fixed subsequent to consultations of various enterprises; (2) the trade fair prices. Within these two categories of prices, most of the shops should adopt the free prices. As regards products which maintain close ties with the international market and products which are regularly imported and exported, it is



necessary to build up competitive prices which will be more and more important in the price format of the special economic zones.

Under the circumstances of pushing forward the price reform, it is not necessary for all products to be subject to the open policy, it is very important that we adopt the method of controlled prices for certain products which are essential to the people's living. In economic life, many prices and charges are monopolized, generally speaking, water and electricity charges, public transportation in the urban areas, medical treatment and prices of materials allocated by the state should not be subject to the open policy. If we allow these prices and charges to compete, it might lead to wastage of materials or lowering of the service standard; but if there is rigid control, there will be no vitality and this will also lead to a low standard of management. As regards free prices of certain materials which are in short supply such as iron and steel materials, the extent of price increase is so big that it becomes a heavier burden in the capital for capital construction. Therefore, we must adopt appropriate control over the prices or charges of this type of product.

The objective of the price reform should on the one hand include gradually expanding the extent of floating prices and free prices, and on the other hand, should take the establishment of a perfect system of control as one of the important goals of reform.

We should not adopt the laissez-faire policy regarding the portion of free prices, we should exercise necessary guidance and interference in order to give play to its normal role.

The relationship of "flexibility" and "control" will always exist in the price reform. The general direction of price reform is to, basing on the basic policy of opening up to foreigners and enlivening the domestic market, incessantly improve the flexibility of the prices, and under planned guidance and control, to give full play to the role of prices in speeding up production development and regulating market supply and demand. "Flexibility" and "control" of prices can never be separated nor can they be antagonistic against one another.

The Use of the Law of Value in the Market of the Special Economic Zones.

As far as this area is concerned, the formation of prices in the special economic zones and the price movement must implement three basic demands of the law of value.

(1) It is necessary to implement the principle of equal price exchange. This should be taken as the criterion to assess the state controlled prices, prices fixed by the enterprises, and other kinds of prices; irrational prices should also be rectified in accordance with this.

(2) It is necessary to adjust prices, regulate production and supply in accordance with the market demands. At present, products of unified prices cannot be flexibly adjusted in accordance with the market demand and have become "fixed prices." We also lack guidance in the assessment and utilization of the extent of the floating prices, and there is some confusion. We need to pay attention and solve the problems of how to make the prices fixed by the enterprises cope with the complicated changes of market demands, and how to appropriately adopt the price policies.

(3) Under the circumstances of opening up to the foreign countries, we will maintain closer ties with the international market, therefore, we must consider the demands of the law of value beyond the extent of our own country and in the course of implementation, set up a system of utilizing prices and methods. Certainly, it does not mean that we must equalize the prices of products which are closely related with the international market with the international prices, but that we must pay attention to mastering and studying the supply and demand of the international market and the feedback of prices, and analyzing the change of labor productivity in order to ascertain and fix our production and price policies.

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LABOR AND WAGES

LABOR, PERSONNEL MINISTER INTERVIEWED ON WAGE REFORM

HK080708 Beijing BAN YUE TAN in Chinese No 9, 10 May 86 pp 8-15

[Interview with Labor and Personnel Minister Zhao Dongwan given "recently" to unidentified reporter--place not given]

[Text] This reporter recently interviewed Minister of Labor and Personnel Comrade Zhao Dongwan, who answered questions of interest to people on wage reform.

Question: How was the situation in the wage reform in 1985? What is your view on the wage reform this year?

Answer: It is also a matter of great concern to the people, particularly to the workers and staff members throughout the country. The state institutions and public organizations have carried out the reform of the wage system and the enterprises have also conducted some experiments in wage reform. On the whole, wage reform ran quite smoothly in 1985. It attained satisfactory results, but there were also some problems that needed to be studied and resolved. When conducting wage reform in 1986, we should conscientiously implement the principle on restructuring the economy laid down by the State Council: consolidate, assimilate, replenish, and improve the reform measures already taken; and discard the disadvantages, retain the advantages, and resolve the acute problems left from last year. Meanwhile, we should organize forces to study and work out the principle and plan for future wage reform in enterprises.

Question: Why is it necessary to reform the wage system in state institutions and public organizations?

Answer: The wage system for working personnel in state institutions and public organizations was worked out in the 1950's. The establishment and implementation of this wage system has played a positive role in ensuring the smooth progress of state administration and management and in stimulating the development of various undertakings. However, great changes have taken place in national economic development and other aspects of work in the last 3 decades. Due to various reasons, we have not been able to promptly make corresponding adjustments and reforms on the original system. In our practical work, we have also been subjected to "leftist" influence. The result is that quite serious egalitarian practice and some other

irrational problems exist in wage distribution, that there is a widespread phenomenon of disconnection between official ranks and wage scales and between work and remuneration, and that the existence of numerous wage scales has led to numerous contradictions in the wage relations of personnel in different categories. The existence of these problems is unfavorable to the modernization drive and the improvement of the cadre ranks.

Question: What is the new wage system for working personnel in state institutions and public organizations?

Answer: The new wage system for working personnel in state institution and public organizations is a structural wage system in which wages are related to specific work posts. It consists of four parts: 1) [word indistinct] wages, which are aimed at ensuring the basic livelihood of working personnel; 2) wages related to specific work posts, determined according to the posts, responsibilities, work, and professional or technical skills of working personnel and adjusted according to changes in work posts; 3) allowances related to length of service, increased annually in line with the individual's length of service and which, in the case of elementary and middle school teachers and hospital nurses, are supplemented by allowances related to length of teaching or nursing services; and 4) wages issued in the form of rewards. The structural wage system represents a big breakthrough over the original wage system. It is quite suited to the special features of state institutions and public organizations because it not only stresses wages related to specific work posts, thus linking the remuneration of working personnel with their posts, but also gives scope to the different functions of other wage components.

Question: What are the results of the reform of the wage system in state institutions and public organizations?

Answer: Because of the importance attached to it by leaders at all levels, the clearly-defined policy regulations, and the active support of the large numbers of working personnel, the current reform of the wage system has made quite enormous progress and has basically achieved the expected objective. This is chiefly manifested in the following three aspects: 1) We have abolished the graded wage system and replaced it with the structural wage system, in which wages are related to specific work posts, so that the wages of personnel in state institutions and public organizations can be brought into line with the new wage system and that the acute problems marked by disconnection between official ranks and wage scales can gradually be resolved. 2) Through this reform, working personnel at different levels and in different categories get better pay in varying degrees. They receive more pay increases this time than at any other wage adjustments since the founding of the PRC. This has improved, to some extent, the irrational situation whereby the original wage levels of personnel in state institutions and public organizations were on the low side. 3) We have simplified and unified the wage scales for personnel in state institutions and public organizations and initially resolved some contradictions that have not been resolved for many years, thus creating favorable conditions for gradually straightening out wage relations in the future.

Question: What are the outstanding problems in the current reform of the wage system in state institutions and public organizations?

Answer: The main problems in the current reform of the wage system are: 1) Due to the numerous wage scales and the wide wage differences in the original wage system, some irrational wage relations will emerge when the original wages of the personnel are incorporated to the nearest wage scales in the new system, with a small number of people inevitably receiving undue pay increases. 2) Although there is a difference between cadres holding the same posts in terms of service length, original wage grade, and work performance, their wages remain at the lowest wage scale related to their work posts, which is not quite rational. Moreover, there are some points in the new wage system that should be gradually perfected. The problems in the reform of the wage system should be gradually solved with the development of the national economy, in light of the state's financial resources, and in order of importance and urgency.

Question: What preparations will be made regarding the reform of the wage system in state institutions and public organizations this year?

Answer: In the reform of the wage system in state institutions and public organizations this year, we shall primarily assimilate and replenish the reform plans already worked out and appropriately resolve the acute problems left from the past. First, we shall institute, with leadership, by stages, by groups, and in a planned way, an employment system for professional technical posts, and fix the wages of professional technicians according to their posts. Second, we shall adjust the wage categories of some localities. In light of the practical conditions and the state's financial resources, we shall only make partial adjustments on wage categories this year. As for the question of straightening out, in an all-round way, the wage relations among different localities, we should examine it in its entirety and gradually resolve it. Third, in light of the state's financial resources, we should appropriately resolve the acute problems left from the reform of the wage system last year. Concrete methods and measures are still under investigation and study. Moreover, as of 1 July this year, we shall have to issue the above-norm additional wages decided on in the wage reform last year and to increase, according to the stipulations, the allowances issued to personnel according to their length of service.

Question: Why is it also necessary to reform the enterprise wage system?

Answer: The enterprise wage system was also established in the 1950's. The acute problems that have existed for a long time are: 1) the serious practice of egalitarian distribution, with a disconnection between wages and the production development and economic performance of enterprises and between wages and the performance of individual workers; 2) the numerous and confused wage scales, which have not only brought inconveniences to wage management but also caused many contradictions among different trades and professions and among workers and staff members; and 3) the wage management structure, with its excessive centralism and rigid control, which has resulted in enterprises lacking the necessary decisionmaking power in wage distribution. These defects should be reformed because they



have prevented enterprises from bringing into full play the initiative of the workers and staff members and failed to suit the needs of national economic development and of the reform of the economic structure.

Question: How shall we reform the enterprise wage system?

Answer: In line with the "Decision of the CPC Central Committee on Reform of the Economic Structure" and the guideline of the "Government Work Report" approved by the Third Session of the Sixth NPC, the focal point of the reform of the enterprise wage system is to gradually overcome the practice of egalitarian distribution characterized by "everybody eating from the same big pot," to correctly handle the relationships between the state and the enterprises and between the enterprises and the workers and staff members in term of distribution, and to conscientiously implement the principle of distribution according to work. In keeping with this requirement, we concentrated on doing the following things in 1985:

1. On the basis of the second phase of replacing the delivery of profit with payment of taxes, most enterprises continued to apply the method of fluctuating the reward funds according to the performances of the enterprises and, at the same time, appropriately raise the starting point for collecting reward taxes. In this way, enterprises with better economic results got more reward funds, while those with poor economic results got less. The material interests of the workers and staff members were thus linked, to a certain extent, with the performance of the enterprises.
2. A small number of enterprises tried out the method of linking the total payroll of the workers and staff members with the economic results of the enterprises. About 10 million workers and staff members throughout the country are applying this method on an experimental basis, accounting for some 15 percent of the total number of workers and staff members of state enterprises. There are three principal forms: 1) Most coal enterprises have tried a contract system under which the amount of wages is fixed according to coal output on a ton basis; 2) most construction enterprises have tried the contract system under which the amount of wages is fixed according to every 100 yuan worth of output value; and 3) over 1,000 large and medium-sized state enterprises have tried the method of linking the total payroll with the profits or taxes turned over to the state.
3. We simplified and unified the wage scales of workers and staff members and gave them a promotion. In 1985, we worked out reference wage scales for the workers and staff members of large and medium-sized state enterprises throughout the country and, on the basis of appropriately raising the level of wage scales, simplified and merged the 300-odd complicated wage scales into 5 wage scales for 3 industries in 1 locality, thus resolving the question which had not been solved for 20-odd years. With the implementation of the new wage scales and the promotion, the enterprise workers and staff members have received better pay.

4. The enterprises have a certain decisionmaking power in wage distribution. By fluctuating the reward funds according to performance, the enterprises can independently decide the methods of using the reward funds, such as issuing bonuses to workers and staff members, trying out floating wages or floating wage promotions, and instituting a job subsidy system in the internal departments of enterprises. In this way, we have initially changed the previous situation characterized by excessive and rigid control.

The work stated above represents only partial exploration in reforming the enterprise wage system. Because the enterprises wage system involves numerous economic relations and is much more complicated and difficult than the wage reform in state institutions and public organizations, it is impossible to finish it in a short time. The State Council has set up an enterprise wage system study team, which is organizing forces from various quarters and is planning to work out the principle and plan for the future reform of the enterprise wage system through investigations, studies, analyses, and expositions.

Question: What work should be done in reforming the enterprise wage system this year?

Answer: In 1986, in addition to devoting our efforts to studying and working out the principle and plan for the future reform of the enterprise wage system, we shall also make the following arrangements:

1. Regarding enterprises fluctuating the reward funds according to performance, it is necessary to further improve the methods of using the bonus in order to facilitate the implementation of the economic responsibility system. The reward fund is an important means of establishing and perfecting the economic responsibility system, arousing the initiative of the workers and staff members, and improving economic results. The distribution of bonuses should be integrated with the implementation of the economic responsibility system in order to demonstrate the principle of rewarding the diligent and good and punishing the lazy and bad. Bonuses should not be equally issued to all people. The State Council has decided that the starting point for collecting the enterprise bonus taxes this year will remain unchanged for 4 months and that the reward funds the enterprises used last year in the implementation of the new wage system may be listed as costs as of January this year on the basis of 7.5 yuan per capita a month (coming up to 90 yuan per capita a year, equivalent to 1 and 1/2 months of standard wages). This has created a favorable condition for the further implementation of the enterprise economic responsibility system. At the same time, the State Council has also decided that if policy-related money-losing enterprises or enterprises making meager profits have little reward funds, making it difficult for them to put the new wage [system into] practice, they can be given subsidies on a lump sum basis. Regarding the excessive differences in reward funds caused either by different potentials, profit bases, or fluctuating product or raw materials prices, the relevant departments also plan to take appropriate measures to regulate them gradually.

2. It is necessary to improve the experimental method of linking up the total payroll with the performance of the enterprises. The methods of improving the contract system under which the amount of wages is fixed according to every 100 yuan worth of product value for construction enterprises have been worked out and are being implemented. The methods of improving the contract system under which the amount of wages is fixed according to coal output on a ton basis and improving the linking of total payroll with the profits or taxes delivered to the state are being intensively studied. No matter what linking methods we adopt, we should stress the quality index above everything. Even if the other indexes have been achieved satisfactorily, the wages cannot be increased if the quality does not come up to the stipulated requirements.

3. It is necessary to improve the system of distribution in the internal departments of enterprises. The focal point of the work should be placed on such basic work as a fixed quota for a fixed number of workers, technical appraisal, and labor metrological statistics in coordination with the implementation of the economic responsibility system in order to provide a scientific and reliable basis for implementing the principle of distribution according to work.

When the original wage category 5 is raised to 6, appropriate adjustments will also be simultaneously made on enterprises in the locality that implement the original wage scales toward their workers and staff members.

Question: Why is it that the state allocated funds for the reform of the wage system in state institutions and public organizations last year, while the enterprises should carry out wage reform "at their own expense"?

Answer: That the enterprises carry out wage reform "at their own expense" is a common expression. To be precise, we should say that the enterprises use a portion of their reward funds to implement the new wage scales and to arrange the promotions of workers and staff members. The character of enterprises is different from that of state institutions and public institutions, and so their position in the distribution of national income is also different. As economic entities, enterprises are in the stage of distributing national income for the first time. Through production and business activities, the enterprises turn over to the state a portion of the created national income in the form of profits or taxes, which represent our state revenues. In accordance with the stipulations of state policy, the surplus will be retained by the enterprises and used to expand reproduction and to pay for the wages, bonuses, and welfare of workers and staff members. The state institutions and public organizations, however, are not economic entities and they are in the stage of redistributing national income. The state should allocate a portion of its revenue as administrative and operating expenses, which include the wages of the working personnel in state institutions and public organizations. For this reason, in carrying out wage reform and making wage adjustments, the enterprises should chiefly rely on improved economic performance and increased income following the development of production in order to provide for the necessary funds for the wage reform. This is advantageous to invigorating the enterprises and

arousing the initiative of the workers and staff members. Judging from the practical conditions, the profits retained by the enterprises and their reward funds have increased fairly rapidly in the past few years. For example, the reward funds of the budgetary state-owned industrial enterprises increased by more than 400 percent in 1984 over 1980. The state has drawn up policies and enacted legislation to reserve these funds to enterprises with the aim of invigorating them. In this sense, the reward funds that the enterprises use to implement the new wage scales are actually the funds that the state reserves for the enterprises. Although there is a difference in the source of wage reform funds between the enterprises and the state institutions and public organization, this is only a difference of forms in distributing state funds.

Question: What questions should we pay attention to in reforming the wage system?

Answer: The reform of the wage system has a bearing on China's economic development and the immediate interests of every worker or staff member. In reforming the wage system, we should uphold correct principles and policies so that production and the standard of living will rise in a balanced way. The party and the government are very much concerned about the well-being of workers and staff members. Since the 3d Plenary Session of the 11th CPC Central Committee, they have gradually rectified the previous tendency of one-sidedly stressing production to the neglect of the people's livelihood. With the development of the national economy, they have made the utmost efforts to raise the wage and bonus levels of workers and staff members so that the living standards of the people have considerably improved in a fairly short time. In the future, with the in-depth development of various reforms and the growth of China's economic strength, the wage levels of workers and staff members and living standards of the people will still rise continuously. We should give better scope to the proper functions of wage distribution in order to improve the living standards of workers and staff members, to arouse their enthusiasm, and to stimulate the development of production. To this end, we should pay attention to the following problems in the reform of the wage system:

1. We should proceed from China's basic national conditions and adhere to the principle of gradually raising wage levels on the basis of increased production and productivity. Ours is a developing country and a big country with a population of more than 1 billion at that. The large population, the arduous task of creating new jobs, and the relatively backward economic development--these are the basic national conditions that we should take into consideration in reforming the wage system. Since the 3d Plenary Session of the 11th CPC Central Committee, the state has created, through various channels, more than 50 million new jobs in cities and towns, thus basically resolving the employment problem left from the past and mitigating the contradiction which was once very acute. However, the basic fact that China has a big population determines that we should regard a high employment rate as a long-term policy. In the Seventh 5-Year Plan period, several million new jobs should be created each year for the emerging labor force in cities and towns. China has limited sources of additional income each



year, from which we should also allocate some funds for economic construction. For this reason, in line with the principle "first, feed the people and second, build the country," we should rationally handle the relationships between economic development and improvement of living standings and between increased job opportunities and the raising of the workers' wage level. Not only should we attach great importance to improving the people's living standards, we should also proceed from the actual conditions in our country and act within our capabilities. We should not drastically raise the wage and consumption levels of workers and staff members all at once. Only in this way can we ensure the sustained, stable development of the national economy and lay a solid foundation for the sustained improvement of the people's living standards.

2. We should uphold the principle of distribution according to work, gradually overcome the practice of egalitarian distribution and, at the same time, avoid the excessive difference in income. Our principle of distribution is distribution according to work. On the one hand, we should overcome the practice of egalitarian distribution and recognize the rational difference in people's wage income. In an enterprise or a unit, those who give a good account of themselves, have a higher professional or technical level, assume heavier responsibilities, and make great contributions should receive more pay and bonuses. Only in this way can we bring into full play the initiative of workers and staff members for production and other work. On the other hand, among different trades and enterprises, the wage difference of the workers and staff members should not be too big. We should take some control and regulatory measures to resolve various problems, such as the excessive difference in the wage income of the workers and staff members in different trades and enterprises, which is caused by different external conditions, and the excessive income difference, as well as the unfair distribution of profits, among some social members.

3. We should step up ideological and political work in the course of reforming the wage system and constantly resolve the problem of vying with one another in increasing wages and issuing bonuses. If, regardless of the different conditions, contributions, and economic performances in various units, those having less wages or bonuses indiscriminately emulate those having more wages or bonuses, it will inevitably lead to a spiral rise of wages, bringing about not only the egalitarian practice of "everybody eating from the same big pot" but also the loss of macroeconomic control over consumption funds. The resulting inflation and price rises will adversely affect the virtuous cycle of the national economy and infringe upon the immediate interests of workers and staff members. For this reason, it is absolutely necessary to step up publicity and education.

4. We should conscientiously strengthen macroeconomic control over the growth of wage funds. Our country is in the initial stage of its modernization. In such a stage of economic growth, appropriately fixing the growth rate of consumption funds is vital to ensuring the vitality of, and greater capacity for, long-term economic development. The wage funds are an important component of consumption funds. In reforming the wage system, we should not only appropriately transfer to a lower level the power to manage wages but also, on the Macao level, bring the growth of wage funds



under control and maintain a proper proportional relationship between the growth of wages and increased production and labor productivity. The state has taken some necessary control and regulatory measures and has enacted measures of administering wage funds. In the future, we should make further efforts to step up supervision and inspection in this field.

The reform of the wage system is a major issue affecting the development of the national economy and the living standards of the people. Under the correct leadership of the party and the government, with the concerted efforts of the large numbers of workers and staff members and the supervision of the people's deputies, and given a much more favorable economic and social environment than ever before, we are sure that we should be able to reform the wage system more satisfactorily.

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TRANSPORTATION

BEIJING-HONG KONG THROUGH PASSENGER TRAIN UNDER DISCUSSION

HK131138 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1018 GMT 12 Jun 86

[Report: "The Feasibility of Direct Railway Passenger Transport Between Hong Kong and Beijing Is Under Discussion"]

[Text] Hong Kong, 12 Jun (ZHONGGUO TONGXUN SHE) -- Yang Gihua, director of the Guangzhou Railway Bureau and general manager of the Guangzhou-Shenzhen Railway Company, said that one of the spheres for the company's development is to open up through passenger train transport between Hong Kong and Beijing. The relevant departments are now studying the feasibility of this project. The company will strive to create the proper conditions.

Yang Gihua said the above in an interview he gave to a ZHONGGUO TONGXUN SHE reporter when he came to visit Hong Kong recently. According to Xu Ziju, assistant general manager of the Guangzhou-Shenzhen Railway Company, who accompanied him, the project to build a double line for the Guangzhou-Shenzhen Railway has already seen over 4 million cubic meters of clay and stone removed for laying foundation for the railway line and over 120 kilometers of track laid. The 8 sections of the double line, including that from Guangzhou to Yunlu, with a total length of 62 kilometers have already been put into operation. As a result, the volume of transport in these sections has risen by 50 percent. When the whole project is completed at the end of this year, the passenger and cargo transportation between Guangdong and Hong Kong will be further improved.

Now, 43 carriages of goods are carried out of Hong Kong by the Guangzhou-Shenzhen Railway Company every day. It is expected that this will rise by 10 percent when the double line is completed. The Hong Kong-Guangzhou through trains only carry 30 percent of the total number of passengers that this company carries now. When the double line is completed, the company will discuss with the relevant departments the possibility of more runs by the through trains. At that time, each run of the through train will be shortened to about 2 hours.

Xu Ziju pointed out that about 8 million yuan is to be spent on this double line project. All the funds are to come from the company's operational profits and raised by the company on its own. This is an experiment by the company to undertake all-round contracted responsibility for the construction of a railway.

The company plans to complete the all-round electrification of the Guangzhou-Shenzhen Railway by 1987 and recover all the construction investment by 1991.

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